

Delivering our vision every day

Annual Report and
Financial Statements 2019



About us

Greencore is a leading manufacturer of convenience food in the UK

We supply grocery and other retailers including all of the major UK supermarkets.

We serve our customers across a broad range of convenience food categories including: sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.



2019 Highlights

Group Operations

Revenue

£1,446.1m

(Reported: -3.5%)
(Pro Forma: +2.6%)

Group Operating Profit

£99.8m

(FY18: £49.8m)

Profit before taxation

£56.4m

(FY18: £17.8m)

Basic Earnings per Share
(Basic 'EPS')

19.9p

(FY18: 4.8p)

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 180 to 184.

Adjusted Operating Profit

£105.5m

(FY18: £104.6m)

Adjusted Profit Before Tax

£92.3m

(FY18: £79.6m)

Adjusted Earnings per Share
(Adjusted 'EPS')

16.0p

(FY18: 15.1p)

Free Cash Flow

£54.9m

(FY18: £92.4m)

Return on Invested Capital
(‘ROIC’)

14.4%

(FY18: 15.6%)

In this report

Strategic Report

At a Glance	2
Investment Case	4
Business Model	6
Market Trends	8
Chairman's Statement	10
Chief Executive's Review	12
Our Strategy	14
Key Performance Indicators	22
Sustainability Report	26
Operating and Financial Review	34
Risks and Risk Management	38

Directors' Report

Board of Directors	44
Directors' Report	46
Corporate Governance Report	52
Report on Directors' Remuneration	62
Report of the Audit Committee	92
Report of the Nomination and Governance Committee	97
Statement of Directors' Responsibilities	100

Financial Statements

Independent Auditor's Report	102
Group Income Statement	111
Group Statement of Comprehensive Income	112
Group Statement of Financial Position	113
Group Statement of Cash Flows	114
Group Statement of Changes in Equity	115
Notes to the Group Financial Statements	117
Company Statement of Financial Position	173
Company Statement of Changes in Equity	174
Notes to the Company Financial Statements	175

Other Information

Alternative Performance Measures	180
Shareholder and Other Information	IBC

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.

At a Glance

Leading the convenience food market

We produce a wide range of fresh food products including:

2,450

Total number of Greencore products

717m

Sandwiches and other food to go products every year

123m

Chilled prepared meals every year

Sandwiches



Salads



Sushi



Chilled ready meals



Chilled soups and sauces



Chilled quiche



We employ c.11,500 talented, committed and experienced people across our UK and Irish operations.



Chilled snacking



Ambient sauces and pickles



Frozen Yorkshire Puddings

Food to go

13 production units across 9 locations

- 8 sandwich-focused units
- 3 salad-focused units
- 2 sushi-focused units

Other convenience categories

8 production units across 7 locations in the UK

- 3 chilled ready meal units
- 2 chilled soups and sauces units
- 1 chilled quiche unit
- 1 ambient cooking sauces unit
- 1 frozen Yorkshire Pudding unit

Distribution

Greencore has built a strong 'Direct to Store' distribution operation comprising 17 distribution centres, 6 picking depots and a fleet of almost 400 vehicles that make daily deliveries to small format stores across the UK.

Irish ingredients

2 distribution locations

- Edible oils
- Molasses

Strong platforms to achieve our medium term financial ambitions

Strong platforms

Deep customer relationships with mandate to do more	<p>Our business is about driving the strategies and growth of our customers. Our relevance, through multiple personal relationships across functions and levels, underpinned by a relentless focus on customer service and food safety, makes us a trusted partner in the food industry.</p> <p>We are strategic partners, supporting customers throughout the supply chain and utilising our capabilities in innovation and consumer insight to drive growth and shared returns for both us and our customers.</p>
Leadership positions in food to go: the UK's most attractive food category	<p>We lead in attractive and structurally-growing categories and formats in convenience food, particularly in food to go. Growth is driven by positive consumer and channel dynamics, underpinned by the structural drivers of convenience, health and wellness, and great value. The food to go category is also expanding to include new products, a broader set of consumer occasions, as well as new customer formats and delivery channels.</p>
Network, capability and teams set up for future growth	<p>Our well-invested, nationwide infrastructure of production facilities and distribution network reinforces the business model and provides us with capacity for growth. We invest carefully in industry-leading expertise, all underpinned by our Greencore Excellence programmes and increasing use of analytical and data technology solutions. Our highly experienced leadership team has wide-ranging food sector knowledge, and we prioritise people development and employee engagement.</p>
Track record of outperformance with strong margin and returns profile	<p>We have a strong track record of disciplined organic and inorganic investment in the UK, delivering attractive returns while maintaining, relatively low levels of financial risk.</p> <p>Structural growth, strong operational execution and our customer partnerships drive sustainable revenue and profit growth. Strong inherent free cash flow is achievable given our well-invested network, a clean organisational profile and careful cash flow management.</p>

Medium term financial ambitions

96%

Of sandwich sales are from long term customer contracts of 3+ years

#1

Ranking in The Advantage Report¹ of chilled convenience suppliers to major grocery retailers in the UK

#1

Market share² in:

- Grocery sandwiches
- Grocery sushi
- Italian chilled ready meals

5%

Forecast Compound Annual Growth Rate (CAGR) in food to go market 2019-2024 (IGD, 2019)³

c.£300m

Network spend over last five years

77%

Employee engagement⁴ in the FY19 People at the Core survey

Revenue and Adjusted Operating Profit



— Revenue, UK and Ireland (LHS, £m)
— Adjusted Operating Profit, UK and Ireland (RHS, £m)

14.4%

FY19 Group ROIC

Mid single
digit organic
revenue growth

High single
digit Adjusted
EPS growth

Half of Adjusted
EBITDA converting
to Free Cash Flow

Mid teen ROIC

¹ The Advantage Report™, part of a worldwide programme whereby retailers rate and rank all of their suppliers, both branded and own-label; © The Advantage Group International, Inc., 2019. See case study on page 19.

² Source: Kantar, IRI (2019).

³ Institute of Grocery Distribution ('IGD') UK Food-to-Go 2019, Market landscape and future growth outlook – includes supermarkets & hypermarkets, convenience & other retailers, coffee specialists and food to go specialists; excludes quick-service restaurants where Greencore currently has no presence.

⁴ See Non-Financial KPIs on page 24.

Business Model

OUR BUSINESS
PRIMARILY OPERATES
IN THE ATTRACTIVE
AND GROWING
CONVENIENCE FOODS
SECTOR IN THE UK.

Our primary business is manufacturing convenience food in categories such as sandwiches, salads, sushi, chilled snacking, 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.

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 our business model and is reflected in our culture.

Resources

People

Approximately 11,500 talented, committed and experienced people across our UK and Irish operations.

Infrastructure

21 well-invested and highly efficient production units across 16 locations, and a nationwide distribution network.

Integrated supply chain

A comprehensive network of suppliers from which we source different ingredient and packaging materials. Embedded and joint supply chains with core customers across various channels of the UK market.

Financial

A strong balance sheet and debt profile, disciplined capital allocation, and relatively low levels of financial risk.

Commercial and Operating Model

How we work with customers

Create a compelling food offer

- Assure excellent customer service
- Deliver impeccable food safety
- Commit to grow and innovate
- Propose attractive pricing and partnership



What differentiates us

Great Food

- Industry leadership in food integrity
- Innovation commitment to deliver customers' taste, nutrition and cost goals

People at the Core

- Effective workforce management
- Distinctive leadership team

Greencore Excellence

- Distinctive and repeatable way of working
- Step-change in our purchasing, manufacturing, and commercial capabilities

Sustainable Business

- Commitments on how we run our business
- Contributions to industry sustainability

Outcomes

Shareholder returns

Our business model creates sustainable value through disciplined capital allocation.

 Read more:

Operating and Financial Review on pages 34 to 37

Customer satisfaction

Our commercial model provides best-in-class customer outcomes.

 Read more:

Relevance in Our Strategy on pages 18 and 19

Supplier partnerships

Our collaborative approach with suppliers enables all parties to achieve goals and drive growth.

 Read more:

Sustainability Report on pages 32 to 33

Consumer delight

Innovation and Great Food that directly addresses key consumer demand drivers.

 Read more:

Market Trends on pages 8 and 9

Employer of choice

Career opportunities that engage and reward.

 Read more:

Sustainability Report on pages 27 to 29

Heart of local communities

Education, food donation and charitable giving plans that enable community engagement.

 Read more:

Sustainability Report on pages 27 to 29

Market Trends

STRUCTURAL DRIVERS OF CONVENIENCE, HEALTH AND WELLNESS, AND GREAT VALUE.

The three core consumer trends continue to be convenience, health and wellness, and great value. Consumers demand products and services that deliver quickly and make life easier. In addition they want to be able to make healthier choices whilst at the same time getting great value in the purchases they make.

Growth drivers of the next decade

Product categories	Health continues to have an impact on key consumer trends in food. 35% of UK consumers are consciously following some form of specialist diet (IGD), and 30% of UK consumers would like to see more plant-based options (IGD).	While the concept of freshness has always been critical for consumers, it is increasingly linked with local produce and sourcing.	Sustainability is also now impacting category demand. 75% of UK consumers have become more aware of the environmental impact of plastic packaging than previously (IGD). 57% of consumers would pay more for products in recyclable packaging (IGD).
Meal occasions	Meal times are fragmenting. Our own consumer insight teams track consumer demand and behaviours across various occasions. Our research shows that 35% of all food to go consumer occasions now occur at lunch time.	Furthermore, 35% of such consumer occasions occurring either at breakfast or in the evening (Greencore research), market demands are driving more hot food solutions.	The remaining 30% of food to go consumer occasions occur as snacking (Greencore research), transforming the requirements of our customers.
Channels	IGD forecasts that the traditional grocery channel will grow at 1.5% per annum to 2024. The convenience channel will grow at 3.3%, while the discounter and online channels are forecast to grow at much faster rates (6.5% and 8.8% respectively).	Existing grocery players are actively exploring how best to outperform in their own channel while also accessing growth in alternative channels.	Consumers meanwhile are widening their repertoire of outlets from which they shop. The average shopper now uses 9.5 different outlets per month, compared to 7.5 only eighteen months ago (Greencore research).
Formats	Within each channel, consumers demand innovative and imaginative formats. Food theatre and the concept of food service in retail are becoming important elements of the overall shopper mission.	Convenience remains a core driver – the number of carry-out meal occasions are growing over twice as fast as that of in-home occasions in home food consumption (Kantar, 2019).	While formats change, more focus will be required to deliver the right range in the right place at the right time – ensuring the three core consumer drivers are met.
Competitors	As the key players in the market re-evaluate their propositions to meet changing consumer demand, distinctions between what constitutes a supplier, a competitor and a customer are blurring in the convenience food market.	Foodservice specialists and new direct-to-consumer service providers are intensifying the competition for consumers and often for our customers. As they succeed, however, they are also prospective customers in their own right.	There have been significant structural changes amongst Greencore's competitive set, across both food to go and other chilled convenience areas, leading to fewer and more specialised players in the market.

How we are positioning the business

From

**Sandwich
focused**



To

**Win across
food to go**

[Read more:](#)
Our Strategy on page 14 →

From

**All about
lunch**



To

**Feed the
nation 24/7**

[Read more:](#)
Our Strategy on page 14 →

From

**Focused
on grocery**



To

**Scale across a broad
range of channels**

[Read more:](#)
Our Strategy on page 14 →

From

**Convenience
led format
growth**



To

**Provide more
opportunities to buy**

[Read more:](#)
Our Strategy on page 14 →

From

**Competition
among food
manufacturers**



To

**Win against broader
food solution providers**

[Read more:](#)
Our Strategy page 14 →



Gary Kennedy

A new shape and direction for Greencore

THE GROUP DELIVERED A RESILIENT PERFORMANCE IN A CHALLENGING ENVIRONMENT.

Interim Dividend

2.45p

+11.4% from FY18

Final Dividend

3.75p

+11.3% from FY18

Total Dividend

6.20p

+11.3% from FY18

Dear Shareholder,

In what was a very busy FY19 for Greencore, I am pleased to report that we made further progress at a strategic, commercial and operational level. This was delivered in what remained a challenging consumer, customer and economic environment.

Strategic development

As we wrote our last annual report we had just completed the disposal of our US business, a key strategic decision that has allowed us to fully reset the strategy, shape and direction of the Group during FY19.

Following the disposal, we moved quickly to reshape our capital structure. We returned £509m to shareholders in the form of a tender offer, and we also took the opportunity to refinance our primary bank debt agreements. We appreciated the active engagement with you as shareholders at that time, on the most appropriate mechanism through which to return this capital.

Alongside these developments we spent time carefully reshaping the strategic direction of the Group to focus squarely on convenience food in the dynamic UK marketplace. Firstly, we announced the acquisition of Freshtime UK Limited ('Freshtime') in early September 2019 for an enterprise value of £56m. We then outlined this strategic framework in some detail in September 2019 at a Capital Markets Day we hosted in London for

institutional investors and analysts.

The framework is outlined on pages 14 to 21 of this Annual Report and Financial Statements, with examples of how this was implemented during the year and what priorities are in place for FY20.

Financial performance

We continue to assess financial performance across the Group using a framework of profitability, returns and cash flow measures. This framework underpins our financial Key Performance Indicators (pages 22 and 23) and our criteria for remuneration.

In overall terms we achieved a resilient performance in what was a challenging year in many respects. We generated modest growth in Adjusted Operating Profit, of 0.9% to £105.5m, notwithstanding the more subdued underlying revenue growth in the second half of the year. Group Operating Profit rose from £49.8m to £99.8m. We generated Adjusted EPS growth of 6.0% to 16.0 pence, primarily driven by the reduction in our issued share capital following the tender offer.

Our level of exceptional charges in continuing operations, at £30.2m before tax, reduced year on year and primarily related to the debt restructuring after the disposal of our US business. Basic EPS rose from 4.8 pence to 19.9 pence.

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 180 to 184.

I have been pleased with the progress made on underlying Free Cash Flow generation in FY19.

In summary, we met some but not all of the demanding targets that we set ourselves in FY19 and I have also been pleased with the increased focus and progress across the business overall.

Capital allocation

Our capital allocation model was defined in detail in FY19 following the strategic reset of the business and it continues to be an integral part of Greencore's economic model.

As a Board we are committed to effective capital allocation. Central to this is our medium term target leverage range of 1.5x to 2.0x Net Debt:EBITDA as measured under financing agreements. This model facilitates a progressive dividend policy, disciplined organic and inorganic investment, and potential incremental shareholder return over time.

As noted, we returned capital to shareholders in the form of a tender offer. The disposal proceeds also allowed us to reduce leverage.

With regards to progressive dividends, the Board of Directors is recommending a final ordinary dividend for FY19 of 3.75 pence per share. This will result in a total dividend for the year of 6.20 pence per share (FY18: 5.57 pence per share), representing growth of 11.3%. The total dividend represents a payout amount of approximately 36% of adjusted earnings.

Corporate governance

As a result of the sale of our US business, following our Annual General Meeting in January 2019, Non-Executive Directors Mr Thomas Sampson and Mr Kevin O'Malley retired from the Board. Mr Conor O'Leary also retired as Group Company Secretary at the same time and was succeeded by Ms Jolene Gacquin. In May 2019, Mr Peter Haden was appointed Executive Director and Chief Operating Officer. Full biographical details for each of the Directors and the Group Company Secretary are set out on pages 44 and 45 of the Directors' Report.

During FY19, the Nomination and Governance Committee, under delegation from the Board, also commenced an extensive Non-Executive Director refreshment and succession planning exercise. Further information in relation to the Nomination and Governance Committee's activities during the year can be found on pages 97 to 99.

Following the Group's exit from the US market in November 2018, along with the reset of Group strategy and the consequent need to simplify the management structure under the leadership of Mr Patrick Coveney as CEO, Mr Peter Haden will step down from the Board on 31 December 2019. Mr Peter Haden will remain with the Group until April 2020 to enable the Group to transition seamlessly to the new structure. The Board appreciates the strong contribution that Mr Haden has made to the development and performance of Greencore over the past five years and wishes him well for the future.

In July 2018, the Financial Reporting Council published a revised 2018 UK Corporate Governance Code (the '2018 Code'). Although the 2018 Code only applies to Greencore with effect from FY20, in order to ensure that we continue to adhere to the highest standards of corporate governance, the Board has undertaken a significant amount of analysis on the 2018 Code and where appropriate, has revised its processes and policies, especially in respect of colleague and wider stakeholder engagement. This is outlined in further detail on pages 52 and 53. In that regard, I am delighted that Non-Executive Director, Ms Sly Bailey has agreed to act as Workforce Engagement Director with effect from FY20.

We will be submitting a non-binding remuneration policy for shareholder approval at the 2020 Annual General Meeting. In drafting the proposed remuneration policy, the Remuneration Committee and the Board gave extensive consideration to guidelines, evolving market trends and best practice in relation to the remuneration framework. In addition, recognising the importance of shareholder engagement, the Chair of the Remuneration Committee led a comprehensive consultation process with major shareholders and proxy advisors on the proposals contained within the remuneration policy, which aims to promote alignment and fairness. The proposed remuneration policy is set out on pages 69 to 78.

Culture and values

While Greencore has refocused its agenda in many ways through what has been a very busy year, our people remain at the very core of what we do. I continued to be most impressed by the commitment and enthusiasm shown by all of our colleagues in my many visits to our facilities during the year. I see our culture and values as being key

differentiators that help us achieve our strategic objectives and create value for all stakeholders.

The Group has also progressed our environmental, social and governance agenda during FY19. Our Sustainability Report is detailed on pages 26 to 33 and our non-financial information statement is on pages 50 and 51. We plan to develop this further during FY20 and will publish a more detailed Sustainability Report in the first half of the 2020 calendar year.

Finally, I wish to take this opportunity to thank my fellow Board members and all our colleagues for their support and hard work throughout the year.

Brexit

As I write, the nature of the UK's exit from the EU remains unresolved. 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. It remains true that there will be Brexit related challenges for everyone involved in the UK food industry, however we are confident that we are well positioned to manage any prospective challenges and to work with our customers to exploit the opportunities that may arise.

Outlook

Greencore has entered FY20 with a clear set of strategic objectives. These are to drive growth in an expanding food to go market, to deepen customer relevance, and to adopt a distinctive and repeatable Greencore Way of working. These are underpinned by an economic model of disciplined growth and investment, creating value for all stakeholders.

The Group anticipates a year of profitable growth in FY20. The Group's medium term financial ambitions are for mid single-digit organic revenue growth, high single-digit Adjusted EPS growth, the conversion of half of Adjusted EBITDA to Free Cash Flow, and for mid-teen ROIC.



Gary Kennedy
Chairman
25 November 2019



Patrick Coveney

Refocusing Greencore

FOCUSING ON SUSTAINED GROWTH AND RETURNS FROM AN INDUSTRY LEADING UK BUSINESS.

FY19 has been a year of enormous change at Greencore. We sold our US business – capitalising on an attractive, unsolicited offer to fully monetise the Group's cumulative investments there. We returned £509m to shareholders. We reset our Group strategy. We delivered a decent financial performance in a challenging UK market. We evolved our Board and senior leadership structures; and have already started on the next chapter of an exciting journey of growth and returns for the years ahead.

A reshaped portfolio

The first half of FY19 was dominated by the Group's exit from the US and the associated reshaping of our balance sheet, structures and team. While it already feels like 'a long time ago', the decisions of our Board to recommend – and of our shareholders to accept – the offer of \$1.075 billion from Hearthside Foods Solutions LLC for our US business, profoundly reset the Greencore journey. This price, which valued our US business at 14.2 times FY17 EBITDA, and which generated a profit on disposal of £55.9m, monetised the Board's views on the future potential of that part of our business. The transaction was executed rapidly and completed in line with plan in all respects.

Our Board chose to use the proceeds of this sale to reduce debt and leverage levels, underpin future growth plans, and to return £509m in cash to shareholders.

We consulted widely with shareholders during Q1 on the right mechanic for this cash return and settled on a structured tender offer for approximately 261m Ordinary Shares. This offer was taken up fully by shareholders and completed at the end of January 2019.

Working through the decision, the process, the pace, and the complexity of our US exit was amongst the most demanding tasks – analytically and emotionally – that we have taken on at Greencore. I am very grateful to our Board, senior team and shareholders for how we came together to execute this.

A revised strategy

Leaving the US convenience foods market removed one of the key components of our strategy – a strategy that we had been working on for a decade. Understandably we did not have an 'immediate' alternative strategy in place when we announced the US sale. But we did have an instinct that the track record, attractive market positions, customer relationships, capabilities and culture of our UK business would provide us with the critical elements from which we could create a revised strategy for Greencore. So, in parallel to completing the US exit and associated capital return to shareholders, we revisited our Group strategy – a strategy to deliver growth and returns in the UK convenience foods market. You will see details of that strategy on pages 14 to 21. We brought

all elements of this strategy to life at our Capital Markets Day in September 2019. Central to that strategy are the three concepts of:

- **Growth:** widening our product and channel participation in the attractive, growing UK food to go market;
- **Relevance:** building on the deep, long-standing, trust-based relationships with key customers to broaden the range of products and services that we provide; and
- **Differentiation:** creating ever more effective and consistent capabilities, teams and outcomes.

Underpinning these concepts is the focus on value creation: delivering growth, strong free cash flows and returns from our well invested capital and capability platforms.

We are already 'up and running' against each element of this strategy. To extend our leadership in the UK food to go market, we are building out our sushi and meal salads businesses – accelerated by the acquisition of Freshtime in September. We continue to enhance our relevance and future growth prospects with customers and we have worked hard to step-change the consistency of our manufacturing capabilities as we embed Greencore Manufacturing Excellence. This strategic progress is reflected in our strong ROIC and Free Cash Flow metrics.

Solid performance in a challenging UK market

2019 has been a challenging year for the UK food and grocery market. Changing shopping and consumption behaviours, tough competition in both retail and manufacturing, Brexit uncertainty and little aggregate market growth in overall food volumes have combined to create a demanding trading environment. Against that context, and also cognisant of the potential for internal distraction as we exited the US, I am satisfied with what was a solid performance in FY19. Albeit modestly, we grew like for like revenues, profits and margins, improved underlying cash flows and sustained strong capital returns. Of course we can and will do better still, but in a year of so many moving parts and against the market backdrop, this delivery was reassuring.

Organisational progress

Our Board, leadership team, operating model and capability set have evolved considerably this year. We have refocused our organisation to reflect the business we now are and the strategy that we now have. Our Board and leadership team have been reset to deliver growth and returns in the UK. We are leaner, more focused, more agile but also more consistent than before. However, the Greencore culture – can do, entrepreneurial, outward looking, fun, resilient – is very much unchanged. It is the 'secret sauce', the Greencore Way that drives us forward. If anything, the changes of FY19 have strengthened this culture further.

An exciting future

Greencore's history is characterised by repeated and fundamental change. In my eleven years as Chief Executive Officer, we have seen the business evolve enormously. We are now six months into our next 'era' of our development – sustained growth and returns from an industry-leading UK business. This is undoubtedly a different 'era' but no less exciting. It is grounded in a deep understanding of our operating history in the UK. It is centred too on our distinctive people, culture, ambition and capabilities.

As we look forward, we are also conscious of the purpose of Greencore. We have been focused on delivering for our wider stakeholder set – our people, our customers, our suppliers, our consumers, local communities, the wider environment, as well as for our shareholders. This purpose has been implicit in the Greencore Way and in our decision-making over the past decade.

However, I have a conviction that we now need a more explicit articulation of purpose. The basic facts of our business mean we're fast movers. The most delicious food products are only worth making if they find the right people to enjoy them at the right time. There is an energy that infuses Greencore every day. We are a big player in the UK food industry, with a big workforce – which means that our people and our relationships in local communities are vital to our success. From the food we make, to the packaging we use, to the way we employ, the relationships

we build, to the warmth, respect and positivity in how we engage, our culture is central to who we are. In the year ahead, we will work as a Board, leadership team, and wider organisation to distil and articulate our purpose more explicitly – setting out the 'why' of Greencore in a manner that inspires our teams and our stakeholders.

I am very grateful for the strong personal support of our Board, senior team, wider organisation, customers and shareholders as we work our way through these issues and opportunities. It is a privilege to lead Greencore, but made so much easier by this support. I am crystal clear that our best days lie ahead and I look forward with ambition and excitement for Greencore.

Thank you.



Patrick Coveney
Chief Executive Officer
25 November 2019

Our Strategy

OUR STRATEGY HELPS DEFINE THE DIRECTION OF THE GROUP. IN FY19 WE RESET OUR STRATEGY TO REFOCUS ON THE ATTRACTIVE AND GROWING UK CONVENIENCE FOOD MARKET.

Delivering our goal



Our strategic pillars



Growth

Drive growth in an expanding food to go market



Relevance

Deepen customer relevance



Differentiation

Adopt a distinctive and repeatable Greencore Way of working



Our strategic goal

We have a clear strategy to drive sustainable growth, cash and returns from our industry leading UK business.

Our medium term financial ambitions

Mid single digit organic revenue growth

High single digit Adjusted EPS growth

Half of Adjusted EBITDA converting to Free Cash Flow

Mid teen ROIC

Value creation for all stakeholders

Shareholder returns

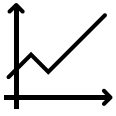
Customer satisfaction

Supplier partnerships

Consumer delight

Employer of choice

Heart of local communities



Growth

Drive growth in
an expanding food
to go market

OUR AMBITION TO DRIVE GROWTH IN AN EXPANDING FOOD TO GO MARKET RESTS ON TWO CORE ELEMENTS: BROADENING OUR PRODUCT PROPOSITION AND ENABLING CONSUMERS TO BUY MORE.

We broaden our product proposition firstly through product innovation in our core portfolio. First and foremost this is about Great Food – exciting, tasty, safe, and inspired by the trends that consumers want. We must ensure that we invest in diverse product development capability and bespoke research so that we can work jointly with customers to adapt to changing consumer trends, formats, meal occasions and channels. Underpinned by this product development capability, we are also building scale in expanding food to go categories – in particular in meal salads, a broader sushi offering, chilled snacking, and hot food.

Enabling consumers to buy more is about supporting existing and new customers' formats and channel plans. We work with customers to make current space work harder. This includes bespoke ranging by format, region and store. It also includes improved availability, underpinned by a joint approach to order management, food waste and supply chain analytics. We also enable customers to expand consumer reach by bringing our products to new points of distribution and ensuring that we are relevant to wherever consumers go when accessing food to go products.



FY19 Performance

The Group made good progress in broadening its product and channel proposition in FY19, particularly in food to go categories. We launched multiple commercial projects with key customers during the year including product launches in salads, sushi, chilled snacking as well as bespoke café channel initiatives.

47% of our products in the UK were new to market as the Group worked with customers on product or packaging development initiatives. This result was driven particularly by increased demand from customers for meat alternative products.

In September 2019 the Group acquired Freshtime which has extended our presence in meal salads and chilled snacking. We also initiated exploratory work in other areas to enable consumers to buy more, such as hot food and event-specific vending. There are multiple ongoing initiatives with customers to improve availability and merchandising in store.

FY19 revenue in the Group's activities in food to go categories totalled £962.5m and accounted for approximately 66% of revenue. Pro forma revenues grew by 3.3% in FY19 in these categories.

Outlook

We will continue to broaden our product range and extend our channel reach by utilising our investment in consumer insight and our additional capacity to develop new business opportunities with, and for, customers. We will also supplement these initiatives with disciplined strategic and tactical M&A activity.

Product innovation

47%

**Pro Forma Revenue Growth**

+2.6%

Read more in the **Strategic risks section** (page 40)

- Competitor activity
- Growth & change

Read more in the **KPIs section** (pages 22 to 25)

**Case study: Freshtime**

THE ACQUISITION OF FRESHTIME IN SEPTEMBER 2019 BROADENED OUR PRODUCT PROPOSITION AND IS HELPING US TO BUILD SCALE IN EXPANDING FOOD TO GO CATEGORIES.

Freshtime is a well-established supplier of meal salads, chilled snacking and prepared produce in the UK. Its products are distributed primarily in the grocery and convenience channels and the business operates from a single facility in Boston, Lincolnshire.

The acquisition of Freshtime has extended Greencore's presence in food to go salads and chilled snacking and its strong customer base is highly complementary to the Group's existing

portfolio. Freshtime's production facility is well invested, with an established local supply chain and capacity for future growth.

It is a business and a customer profile that we know very well. It provides us with a good strategic fit and an exciting opportunity to enhance our product offering, add further capacity to our manufacturing network, and drive growth and value for shareholders.

Our Strategy continued



Relevance

Deepen customer relevance

WE HAVE AN EMBEDDED CUSTOMER PARTNERSHIP MODEL: WE CREATE A COMPELLING COMMERCIAL OFFER, WE WORK TOGETHER TO DELIVER THIS MODEL AND WE PARTNER WITH CUSTOMERS FOR THE LONGER TERM.

Our strategy is to further deepen the relevance we have with our customers by driving returns through a shared value chain, by increasing value through our portfolio and by doing more for our customers.

We drive shared returns throughout the value chain by constantly enhancing our buying and manufacturing choices to optimise mix and efficiency, improving our joint supply chain, and driving retail growth.

We build multi-level, multi-functional relationships that can increase the relevance and value of our whole convenience food product portfolio with our customers, and leverage our scale.

We also do more with customers across the value chain to bring expertise and drive value from activities beyond traditional manufacturing. These include activities such as order management, distribution to individual stores, joint capacity planning and category management.



Case study: The Advantage Report™

AT GREENCORE WE PURSUE A RELENTLESS FOCUS ON OUR CUSTOMER PARTNERSHIPS. THESE PARTNERSHIPS HAVE BEEN DEVELOPED IN MANY CASES OVER DECADES, ACROSS MULTIPLE POINTS OF CONTACT AND ACROSS MULTIPLE FUNCTIONS AND LEVELS. WE HAVE ACHIEVED SOLE SUPPLY STATUS IN CERTAIN CATEGORIES AND HAVE EXPANDED OUR CAPABILITIES TO ADD VALUE THROUGHOUT THE SUPPLY CHAIN.

This track record is supported by our leading score in The Advantage Report™, a retailers' assessment of suppliers. The report analysed chilled convenience suppliers across a range of important performance areas – Strategic Alignment, People, Category Development, Retailer Own Label, Trade & Shopper Marketing, Supply Chain and Customer Service.

The most recent results were published in September 2019. We are very proud to have achieved number one ranking for our Group's overall performance amongst chilled convenience suppliers and also for the principal performance areas analysed. We are delighted to be recognised for our focus and dedication in this way. In addition, we are regularly recognised in customer specific awards for our performance.

FY19 Performance

The Group deepened its relevance with customers throughout FY19. We extended a number of contracts with core customers in the period. We also increased the proportion of our net sandwich sales that were sold under long term customer contracts.

We delivered multiple initiatives to drive shared returns across the value chain during FY19, including bespoke ranging and optimising recipe designs. From a portfolio perspective, we completed the reset of our ready meals product and facility footprint, providing a platform to drive growth and returns in that category.

We continued to invest in our range of services to increase our relevance across the value chain – including our Direct to Store distribution model and our inventory management system. More customers also worked with us during the year on 'earned recognition', a shared technical governance process.

Outlook

We will continue to expand our capability set throughout the supply chain, underpinned by excellent customer service and a relentless focus on food safety and the highest technical standards. In addition, we will engage openly with customers as they seek to grow in new formats, occasions and channels or to consolidate via acquisition.

Net sandwich sales sold under long term customer contracts

96%



Percentage of products delivered on time and in full

98.2%



Read more in the **Commercial risks section** (page 40)

- Changes in consumer behaviour and demand
- Key customer relationships and grocery industry structure
- Raw material and input cost inflation

Read more in the **KPIs section** (pages 22 to 25)

Our Strategy continued

ACHIEVING OUR STRATEGIC OBJECTIVE IS CENTRED ON FOUR KEY CAPABILITIES: GREAT FOOD, PEOPLE AT THE CORE, GREENCORE EXCELLENCE AND A SUSTAINABLE BUSINESS.

Great Food means many things for Greencore. We invest in our team and processes to ensure that we lead the industry in food integrity, delivering effective food safety and technical capabilities. We also invest in product and technical innovation to deliver the taste, nutrition, health and cost goals that our customers need.

People are at the core of Greencore's success – delivering food safety, ensuring health and safety in factories, responding to customer requests and directly impacting our economic performance. As the labour market becomes increasingly competitive we are enhancing our employee engagement and retention policies to continue to differentiate ourselves through our people.

Greencore Excellence involves step-changing our approach across three key functions: purchasing, manufacturing and commercial. In Greencore Purchasing Excellence we invest in analytical capability and combine this with a supplier partnership approach to reduce supply chain costs. Greencore Manufacturing Excellence is set up to deliver efficiencies in performance and to sustain these over time – underpinned by technology. We have also launched Greencore Commercial Excellence with an initial focus on enhancing our insight capability.

We aim to have a focused **sustainability** agenda, including making specific commitments around the way we run our business and the contributions we make to industry sustainability. This strengthens our business model and reinforces our partnerships with customers.



Differentiation

Adopt a distinctive and repeatable Greencore Way of working



FY19 Performance

We made further progress in developing and executing against our group of Greencore Excellence efficiency programmes. In our Greencore Purchasing Excellence and Greencore Manufacturing Excellence programmes, we deployed analytical and data technology solutions to enhance our operations. We also invested further in our consumer insight teams and capabilities as part of the newer Greencore Commercial Excellence programme.

We further developed our Line Manager Framework to enable front line colleagues to effectively use performance data to enhance efficiencies. We also began to step up work on our automation programme in the period, exploring how this can drive efficiencies and returns across the business.

Furthermore, we upweighted our sustainability agenda. In FY19, we reduced our food waste (measured as a percentage of total food production) to 9.2% from 10.5% in FY18.

 Read more in the **Sustainability Report** (pages 26 to 33)

Outlook

We will continue to develop and invest in our capabilities to ensure that we exploit the growth opportunities available to us. Data technology and automation will remain very important elements of this.

We will continue to drive operational improvement, focusing on all areas of the supply chain through our Greencore Excellence programmes.

We will continue to enhance our engagement and retention strategy and maintain pay structures and employment conditions to ensure labour availability.


Adjusted Operating Margin

7.3%

**Employee engagement as a percentage**

77%



 Read more in the **KPIs section** (pages 22 to 25)

 Read more in the **Operational risks** section (see pages 41 and 42)

- Food industry and environmental regulations
- Product contamination
- Health and safety
- Disruption to day-to-day group operations
- Recruitment and retention of key personnel
- Labour availability and cost
- IT systems and cyber risk

Case study: Greencore Manufacturing Excellence

OUR GREENCORE MANUFACTURING EXCELLENCE ('GME') PROGRAMME WAS BORN OUT OF A VISION TO BECOME 'FAMOUS FOR MANUFACTURING'. SINCE 2017 OUR JOURNEY HAS TAKEN US FROM IMPLEMENTING A MAJOR OPERATIONAL EFFICIENCY PROGRAMME, DEVELOPING FRONT LINE LEADERSHIP TO ENABLE THIS, AND ULTIMATELY EXPLORING HOW NEXT GENERATION AUTOMATION CAN ENABLE OUR BUSINESS.

GME is a significant change programme that uses standardised processes, tools, and techniques to target the key levers of labour and waste. This supports our cost and sustainability agenda. We developed bespoke technology to provide information to line leaders so that they're guided to make choices in real-time to meet their performance targets.

Through the rollout of GME, it became clear that we needed to really give our front line colleagues the skills and capabilities to use this data effectively.

We developed our award-winning Line Manager Framework tool that allows our leaders immediate access, through an online portal 24 hours a day, training and development modules to help them in their day-to-day tasks.

Now we are at the early stages of exploring how targeted investment in automation could optimise our cost base and improve our operational efficiency.



Key Performance Indicators

Financial

THE GROUP USES A SET OF 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 cash flow. 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 180 to 184.

Profitability

Pro Forma Revenue Growth

+2.6%

Relevance

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

The medium term financial ambition for Pro Forma Revenue Growth is for mid single digit organic revenue growth.

Result

Pro Forma Revenue Growth increased by 2.6% in FY19, primarily driven by growth in food to go categories.

Adjusted Operating Profit

£105.5m



Relevance

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.

Result

Adjusted Operating Profit was £105.5m in FY19, compared to £104.6m in FY18, an increase of £0.9m with an improved performance in food to go categories offset by a mixed performance in other convenience categories.

Adjusted Earnings per Share (Adjusted 'EPS')

16.0p



Relevance

The Group uses Adjusted EPS as a key measure of the overall underlying performance of the Group and returns generated for each share.

The Group has a medium term target to achieve a high single-digit Adjusted EPS growth.

Result

Adjusted EPS was 16.0 pence compared to 15.1 pence in FY18, an increase of 0.9 pence or 6.0%. This reflects a decrease in Adjusted Earnings offset by a reduction in the weighted number of shares.

STRATEGIC LINKS



STRATEGIC LINKS



STRATEGIC LINKS



STRATEGIC LINKS



Growth



Relevance



Differentiation

Returns

Return on Invested Capital ('ROIC')

14.4%



Relevance

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. With the significant change in the Group's structure following the disposal of the US business, the Group only calculates ROIC relating to continuing operations.

The medium term financial ambition for the Group is to achieve a mid-teen ROIC.

Result

The Group's ROIC in FY19 was 14.4% which is down 120bps on the FY18 measure. FY19 ROIC was negatively impacted by an increase in the effective tax rate and an increase to the invested capital base, in particular with the timing of the acquisition of Freshtime in September 2019.

STRATEGIC LINKS



Cash Flow

Free Cash Flow

£54.9m



Relevance

The Group uses Free Cash Flow to measure the amount of underlying cash generation and the cash available for distribution and allocation.

Result

Free Cash Flow was £54.9m compared to £92.4m in FY18, a decrease of £37.5m. This reflected the impact of cash flows from the US business disposed of during the period. Excluding cash flows relating to the disposed US business the result would have been an increase of £20.8m to £67.1m driven by an improved operating profit, lower working capital outflows, lower interest costs and lower exceptional cash flows.

STRATEGIC LINKS



Free Cash Flow Conversion

36.3%



Relevance

This is a new KPI. The Group uses Free Cash Flow Conversion as a measure of how efficiently profits from the overall underlying performance of the Group are transformed to cash available for distribution and allocation.

The Group has a medium term target to achieve a conversion rate of 50%.

Result

The Free Cash Flow Conversion was 36.3% in FY19, down 880bps on FY18. This was driven by the impact of cash flows relating to the disposed US business in FY19. Excluding cash flows relating to the disposed US business the Free Cash Flow Conversion would have increased to 47.3% from 33.1% in FY18.

STRATEGIC LINKS



Link to remuneration

The remuneration of Executive Directors is aligned closely with our financial KPIs through the Company's Performance Share Plan ('PSP') and Annual Bonus Plan ('ABP'). The performance element of the PSPs is measured on two fundamental KPIs, ROIC and Adjusted EPS, as well as Total Shareholder Return. The financial performance element of the ABP is also measured on ROIC and Adjusted EPS, however, for awards granted from FY20 onwards, they will be replaced with Adjusted Operating Profit and Free Cash Flow. Therefore, from FY20, four out of the six financial KPIs will be used to monitor the performance payouts. The performance against all of the financial and non-financial KPIs is taken into account when considering the personal and strategic element of the ABP. Further information can be found in our Report on Directors' Remuneration.

Non-financial

THE GROUP USES A SET OF KEY PERFORMANCE INDICATORS ('KPIs') TO MEASURE THE PERFORMANCE OF ITS OPERATIONS AND OF THE GROUP AS A WHOLE.

The Group has identified these non-financial KPIs to measure progress of our strategic priorities and sustainability agenda. The Strategic Report and Sustainability Report provide further detail on the measurement, monitoring and improvement actions of our non-financial measures. These measures are all for continuing operations post the US disposal and have been adjusted to include a full year effect of Freshtime where possible. Read more on non-financial information reporting on pages 50 and 51 and in our Sustainability Report on pages 26 to 33.

Health and safety

Accident Incident Rate per 100 employees

0.52



Relevance

Keeping our colleagues healthy and safe is a top priority for the Group. We aim to achieve this by continuing to develop a strong safety culture driven by management and employees at every level. The Group uses the Accident Incidence Rate ('AIR') to provide a guide of our health and safety performance.

Result

Throughout FY19, the Group developed its culture of reporting minor accidents. This led to a slight increase from 0.51 in FY18 to 0.52 in FY19 in our AIR ratio per 100 employees in the UK.

STRATEGIC LINKS



Employee engagement

Employee engagement as a percentage

77%



Relevance

Driving employee engagement is a key output of our people strategy. The employee engagement measure provides insight into how our people are committed to the Group's goals, how motivated they are to contribute to its success and importantly, how they are feeling about their own well-being.

Result

In FY19, our employee engagement, which was measured using slightly enhanced methodology, decreased by 3% since the last survey, which was conducted in FY17. The Group has prioritised initiatives to improve engagement including increasing employee communication through pulse surveys and colleague forums.

STRATEGIC LINKS



Product innovation

Percentage of products new to market

47%

(incl. Freshtime in FY19)



Relevance

The product innovation measure shows our ability to broaden our product proposition. It supports the Group's strategic priority to drive growth in an expanding food to go market. It is central to our commercial model and deepens our relevance to customers. The Group has a large team of highly skilled chefs and food technologists, who are constantly innovating and developing new products for our customers and consumers.

Result

This year our innovation rate increased to 47%, measured from a base of over 2,400 different products across 20 different categories. This result was supported particularly by increased demand from customers for meat alternative products.

STRATEGIC LINKS



STRATEGIC LINKS



Growth



Relevance



Differentiation

Service

Percentage of products delivered on time and in full

98.2%

(incl. Freshtime in FY19)



Relevance

Building our customer relationships underpins the Group's strategic priority to deepen customer relevance. An important component of measuring this is our service level. We track our service level by measuring the product we deliver to customers, on time and in full, compared to what they ordered from us.

Result

We continually meet high levels of service and have maintained an average service level across the Group of 98.2% (same as FY18).

STRATEGIC LINKS



Food safety

Percentage of BRC unannounced audits with AA+ and A+ grades

100%

A++ 15 units, A+ 6 units
(incl. Freshtime in FY19)



Relevance

Producing safe, authentic and excellent quality food is central to everything we do. The Group uses the British Retail Consortium Global Standard in Food Safety (the 'BRC') to measure its food safety levels. The BRC standard is recognised by the Global Food Safety Initiative. The BRC standard provides a level of competence in all aspects of food safety and testing is carried out through unannounced audits on food safety, quality and operational criteria at each of our sites.

Result

In FY19 all of our manufacturing units achieved the AA+ or A+ BRC grade. For the second consecutive year, the Group has met the highest level of food safety performance.

STRATEGIC LINKS



Food waste

Food waste as a percentage of total food production

9.2%



Relevance

Managing food waste is a top priority across our operations. Our aim is to address food waste through prevention, redistribution and use in animal feed. We have committed to reducing food waste to 5.35% of total food production by 2030 to meet the UN Sustainable Development Goal target.

Result

Through a programme of waste avoidance and food distribution initiatives, we continually reduce our food waste. Our food waste reduced by 1.3% from 10.5% in FY18 to 9.2% in FY19.

STRATEGIC LINKS



Link to remuneration

The remuneration of Executive Directors is aligned closely with our financial KPIs through the Company's Performance Share Plan ('PSP') and Annual Bonus Plan ('ABP'). The performance element of the PSPs is measured on two fundamental KPIs, ROIC and Adjusted EPS, as well as Total Shareholder Return. The financial performance element of the ABP is also measured on ROIC and Adjusted EPS, however, for awards granted from FY20 onwards, they will be replaced with Adjusted Operating Profit and Free Cash Flow. Therefore, from FY20, four out of the six financial KPIs will be used to monitor the performance payouts. The performance against all of the financial and non-financial KPIs is taken into account when considering the personal and strategic element of the ABP. Further information can be found on page in our Report on Directors' Remuneration.

Sustainability

GRENCORE IS DEVELOPING A NEW STAKEHOLDER-LED APPROACH TO SUSTAINABILITY, ALIGNED TO THE REVISED GROUP STRATEGY. THE NEW APPROACH WILL DEFINE GRENCORE'S MATERIAL SUSTAINABILITY ISSUES WITH CLEARLY DEFINED TARGETS AND KEY PERFORMANCE INDICATORS ('KPIs').

Given the nature of our business, success in these areas is both dependent on Grencore's own performance and partnership with our customers and suppliers. In the areas where we partner with customers, we pledge to strongly advocate and act to influence real change.

The following section provides a summary of our sustainability strategy. This is sponsored by the Grencore Board and is not externally verified. A statement of non-financial information is contained in the Directors' Report on pages 50 and 51. Our intention is to publish a fuller, more detailed sustainability report in the first half of the 2020 calendar year.



Our new sustainability strategy is built on three pillars that categorise Grencore's material issues:



Sustainability pillars

Taking care of our people

- Helping our colleagues to thrive
- Supporting and caring for the communities in which we operate
- Ensuring ethical standards in our supply chain

The impact of our operations

- Managing food waste
- Minimising our environmental impact
- Reducing packaging and plastic

Delivering for our customers

- Maintaining world-class food safety standards
- Enhancing sustainable sourcing
- Leading on nutrition



Taking care of our people

IN LINE WITH OUR CULTURE, PEOPLE ARE AT THE CORE OF OUR PLANS. WE CARE ABOUT OUR PEOPLE AND THE WIDER COMMUNITIES AND NETWORKS IN WHICH WE OPERATE.

Helping our colleagues to thrive

This is the foundation for our success. Everything we achieve is driven by a safe and healthy, inclusive, ethical culture throughout our business. Quite simply, having a great culture helps us work better. There are many elements of our pledge to help our people thrive.

It starts with the basics. The health, safety and wellbeing of our people. This is of paramount importance and we focus on this by providing a safe working environment. We have a culture that encourages people to make the right choices with regards healthy life choices and physical and emotional wellbeing.

One of our KPIs in this area is our Accident Incidence Rate ('AIR') per 100 employees. In FY19, this metric slightly increased from 0.51 to 0.52, which was due, in large part, to an increased focus on reporting all accidents, no matter how small. This increased focus will improve our analysis of patterns and trends over the longer term.

Case study: Health and safety

THE INTERNATIONALLY RENOWNED ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS ('RoSPA') HEALTH AND SAFETY AWARDS IS THE LONGEST RUNNING INDUSTRY AWARDS SCHEME OF ITS TYPE IN THE UK.

In FY19, two Greencore sites were recognised in these awards:

- Wisbech, which received a gold award; and
- Northampton, which received the RoSPA Order for Distinction for 15 consecutive gold awards.

These prestigious awards are in recognition of the practices and achievements in helping colleagues, customers and contractors stay safe throughout the working day.



Sustainability Report (continued)

Another element of helping our people to thrive is our continued investment in building capability among our people. We also support them in developing themselves to be better leaders. This will ultimately support greater mobility and career progression.

Our signature programme is our 'Line Manager Framework' that continued to roll out in FY19. This is a critical online learning resource using videos and infographics to help build capability. It is aimed at our management and leadership colleagues and now has over 2,400 active users. The programme supports our people to become better, more effective leaders.

We continue to invest in many other programmes such as the Greencore Degree Apprenticeship programme and the continued utilisation of the apprenticeship levy to support colleagues to pursue a range of qualifications.



Case study: Learning & development

In August 2019, Greencore was announced as one of the recipients of The Princess Royal Training Awards. This is an honour for employers in the UK who have created outstanding training and skills development programmes that have resulted in exceptional commercial benefits.

The awards are delivered by the City & Guilds Group, global leaders in skills development and judged by a panel of industry experts and HRH The Princess Royal.

The award recognises the outstanding work on line management and leadership development, the Line Manager Framework and our 'Grow with Greencore' brand.





Our colleagues across the business have helped to raise thousands of pounds throughout the year through their individual fundraising activities, including hosting Macmillan Coffee Mornings, running the Great North Run in aid of GroceryAid and Children with Cancer UK, and sponsored dog walking for Thornberry Animal Sanctuary.

In addition to the charitable fundraising efforts of our site teams, our colleagues are actively involved with local schools and colleges by offering careers advice and mentoring students, while several of our locations sponsor local junior sports teams. A number of our facilities host family fun days for colleagues which also includes fundraising activities for local organisations.

Ensuring ethical standards in our supply chain

Our business operates a diverse and complex supply chain. We aim to ensure that the highest standards of ethical conduct and human rights are upheld wherever possible.

We work collaboratively with our suppliers to ensure that people across the supply chain are supported to thrive in the same ways that our own people are.

We work with our suppliers to build effective and transparent supply chains. During our supplier approval process, suppliers are provided with a copy of our Ethical Trade Policy, aligned to the Ethical Trading Initiative base code. They are also required to register on the Supplier Ethical Data Exchange, SEDEX. 95% of our top 500 suppliers are SEDEX registered.

We carry out assessments of our raw material sources to identify areas most at risk of modern slavery and human rights abuses. This enables us to target these areas through supplier engagement. Further information in relation to the Group's practices for tackling human trafficking and modern slavery are set out on page 51.

We are also members of the Food Network for Ethical Trade ('FNET'), a food industry initiative that aims to improve human rights in global food supply chains through a common approach to ethical trade. Our Head of Ethical Trade, Melville Miles, is Chair of the FNET working group.



Supporting and caring for the communities in which we operate

As a neighbour in many local communities, Greencore is a key employer, and has an obligation to support the communities in which it operates. The areas that Greencore continues to focus its community efforts include education, food donations and charitable giving.

On a national level, in the UK, Greencore continues to support the Institute of Grocery Distribution's ('IGD') 'Feeding Britain's Future', supporting young people and equipping them with skills to be successful in the job market and workplace. Greencore has funded places for students to participate at 'Food Science Summer Schools' through both the Chilled Foods Association and IGD.

Overall our focus is on driving positive employee engagement which we believe is an important KPI for our people strategy. In FY19, our overall engagement score was 77%. This is a modest decline versus the previous measure (80%), measured in a slightly different way. We are intently focusing on the results of this survey and it informs our overall people plan. This includes improving internal colleague communication, a new approach to career and performance management and increased training and development opportunities for colleagues. We also continue to focus on a wide range of performance indicators such as retention rate, to continually improve our performance with our people.

The impact of our operations

THIS PILLAR LOOKS AT HOW WE CAN REDUCE OUR EXTERNAL IMPACT AND ENVIRONMENTAL FOOTPRINT.

Managing food waste

Reducing food waste is a Group KPI. We have committed to reducing food waste to 5.35% of food production by 2030 to meet the UN Sustainable Development Goal target. For FY19 we received a 'Support The Goals' four star rating for our progress to date. We have also committed to the Department for Environment and Rural Affairs ('DEFRA') 'Step Up To The Plate' pledge to reduce food waste.

Our food waste hierarchy is to reduce food waste as much as possible with an aim to redistribute anything that is fit for human consumption and the remainder being diverted to animal feed. We continue to send zero waste to landfill.

Year on year, we have driven a significant reduction in food waste both in absolute terms and as a percentage of production. Our Greencore Manufacturing Excellence programme has helped deliver significant improvements in this area.

We aim to influence food waste across the rest of the supply chain by working with our customers and suppliers to support the redistribution of unsold food. We also work closely with our customers to ensure food has the appropriate 'life' to reduce wastage.

Minimising our environmental impact

During FY19 we have undertaken energy audits across all our UK manufacturing sites as part of our Energy Savings Opportunity Scheme ('ESOS') compliance programme, which is a mandatory energy assessment scheme for UK organisations. Our progress on energy efficiency improvements remains good, and we have delivered a further 4.9% improvement in our primary energy per tonne of product against last year, and 26.5% over the last six years.



Food waste and surplus data

Category	Destination	FY19		FY18	
		Tonnes	% of production	Tonnes	% of production
Waste avoided	Redistribution for human consumption	950	0.3%	791	0.2%
	Animal feed	4,454	1.2%	4,895	1.3%
	Total	5,404	1.5%	5,686	1.5%
Food waste	Co/Anaerobic digestion	24,978	6.6%	32,202	8.3%
	Controlled combustion	1,650	0.4%	1,964	0.5%
	Sewer	8,280	2.2%	6,746	1.7%
	Total	34,908	9.2%	40,912	10.5%



We measure and report our annual scope 1 & 2 GHG emissions. As part of our commitment to reduce our Greenhouse Gas ('GHG') emissions, we moved to a certified green tariff renewable electricity supply contract for our UK operations from the beginning of the financial year.

The GHG emissions summary below shows our gross emissions including location-based scope 2 emissions, as well as our net emissions accounting for the market-based scope 2 reporting for our certified green electricity tariff.

The reduction in emissions is driven by continued progress in energy efficiency, a reduction in emissions associated with refrigerants as we continue to move away from fluorinated gas refrigerants, and the general reduction in UK grid carbon factor as more renewables make up a greater proportion of the fuel mix.

Over the last six years, we have made good progress in our water consumption per tonne of product, reducing it by 15% over the period. There was also a significant improvement in FY19, and one of the contributing factors to the improvement was the closure of the Evercreech desserts facility which had a higher water intensity than most sites within the business.

Water consumption per tonne of product – UK manufacturing (m³ per tonne)



Primary energy consumption per tonne of product – UK manufacturing (kWh_p per tonne)



Reducing packaging and plastics

Packaging and plastic have played a vital role in safe food storage and distribution for decades, but now our approach to their use is changing. We work with our customers to look for the best packaging solutions for all our products, that take into account the environmental impact, while keeping our food fresher for longer. We are committed to working with our customers to reducing our use of single-use plastics and partnering with suppliers to find effective alternatives.

We support the UK Plastics Pact and are committed to meeting its 2025 targets. We will monitor and reduce the amount of plastics used to transport and consume our products, and we aim to develop a circular system whereby plastic is used less and kept out of the environment. Throughout FY19, we have engaged with all key customers and have plans to remove remaining 'hard to recycle' packaging as soon as possible.

In FY19, we saved 18.7 tonnes of plastic by replacing the black plastic trays in a ready meal range with foil. Activities targeting relatively small pieces of plastic such as 'windows' on quiche boxes have also led to significant reductions in plastic use.

We have recycled 758 tonnes of plastic from our manufacturing and distribution activities in FY19 and have identified opportunities for further improvements in the future.

Emissions are summarised below, all reported as CO₂ equivalent ('CO₂e')

Emissions from:

	Emissions reported in tonnes CO ₂ e*		
	FY19**	FY18**	FY18***
Combustion of fuel and operation of facilities (Scope 1)	59,495	66,336	75,600
Electricity, heat, steam and cooling purchased for own use (Scope 2)	27,633	32,389	67,754
Total gross emissions (Scope 1 and 2)	87,128	98,725	143,354
Green tariff	-27,603	0	0
Total net emissions (Scope 1 and 2)	59,525	98,725	143,354
Ratio (KgCO₂e per £1 sales revenue)	0.060	0.066	0.056

Notes:

* Our GHG emissions have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard, and emissions factors from DEFRA's UK government GHG conversion factors for company reporting (where factors have not been provided directly by a supplier).

** UK & Ireland only – comparable with FY19 Group structure.

*** Full Group including US business.



Delivering for our customers

GREAT FOOD IS AT THE HEART OF THIS PILLAR. WE GO BEYOND FOOD ITSELF TO CONSIDER WIDER ISSUES AROUND SOURCING AND SUPPLY CHAIN, NUTRITION AND SAFETY STANDARDS.

Maintaining world-class food safety standards

We are proud to have the best food safety standards in our industry. Maintaining this status sustains our reputation, customer loyalty and consumer satisfaction. We have a total commitment to creating Great Food which is at the heart of this pillar. We go beyond our own operations, with our suppliers absolutely committed to following our lead.

All Greencore manufacturing units are certified to the British Retail Consortium ('BRC') Global Standard for food safety through its unannounced audit programme. Fifteen units achieved AA+ grade while the remaining six achieved A+. This is a Group KPI. The BRC standard includes the requirement for Hazard Analysis and Critical Control Points ('HACCP'), a preventative food safety system plan.

All our sites are subject to inspections from a number of internal audits and audits from external organisations including customers, hygiene services and assured standards. Teams at our manufacturing facilities are responsible for the day to day maintenance of our food safety standards and conducted 38,300 routine audits across all sites during the year. 236 audits were completed by external bodies throughout FY19.

BRC Global Standard

Percentage of manufacturing units with BRC AA+ or A+ grades

100%

RSPO Certification¹

Mass balanced

100%

¹ The mass balanced supply chain model administratively monitors the trade of RSPO certified palm oil and its derivatives throughout the entire supply chain as a driver for mainstream trade in sustainable palm oil.

Enhancing sustainable sourcing

We are committed to ensuring that the raw materials we supply to our customers are sourced sustainably and responsibly. In practice this means encouraging our suppliers to share our passion for Great Food by aligning with our leading standards and with sustainable certification frameworks.

Throughout the year our team of auditors carried out 154 supplier audits, 597 approvals and 61 matrix reviews of agents and brokers. All suppliers must be certified to recognised food safety standards, including BRC certification for agents and brokers. 91% of agents and brokers have achieved this standard.

In particular, we have implemented standards for certain raw materials including the 'British Lion' (egg traceability).

Greencore has been a member of the Roundtable on Sustainable Palm Oil ('RSPO') since 2011 and has multi-site RSPO supply chain certification. We are currently 100% certified through mass balanced and segregated palm oil and our aim is to achieve 100% certified fully segregated sustainable palm oil in our products by 2021. We report progress in the Annual Communication of Progress Report to enable the RSPO to assess our progress.

We hold Group Marine Stewardship Council certification for the eight of our manufacturing facilities that use fish. All sites also receive annual compliance audits as part of our internal governance process with a sample selected for surveillance by the certification body.

We also complete the annual Carbon Disclosure Project forests questionnaire on timber products and palm oil.

We continue to review and develop our sourcing standards as we work with our suppliers.

Leading on nutrition

There are many ways that we can influence the nutritional value of food sold by our customers. We create innovative recipes, reducing the amount of salt and fat in our food, and offer plant-based alternatives to cater for all dietary needs.

We align to nutrient targets set by Public Health England. Over the year we have carried out a calorie reduction programme in one of our key prepared meal ranges. This has resulted in removal of 2,885 calories across six products lines.

We work with the wider industry on nutrition issues with representation on IGD and Campden BRI nutrition groups.





Eoin Tonge

IN A YEAR OF CHANGE WE DELIVERED MODEST GROWTH IN PRO FORMA REVENUE, PROFITS, AND UNDERLYING CASH FLOWS, WHILE SUSTAINING STRONG RETURNS.

A resilient outturn for the refocused business

Operating Review Convenience Foods UK & Ireland

	FY19 £m	FY18 £m	Change (As reported)	Change (Pro Forma basis)
Revenue	1,446.1	1,498.5	-3.5%	+2.6%
Adjusted Operating Profit	105.5	104.6	+0.9%	
Adjusted Operating Margin %	7.3%	7.0%	+30 bps	
Group Operating Profit	99.8	49.8	+100.4%	

Strategic developments

The Group refocused its strategic direction during FY19 on its convenience food business in the UK and Ireland. It introduced a clear set of strategic objectives, aimed at optimising Greencore's growth potential, namely:

- To drive growth in an expanding food to go market by both broadening the Group's product proposition and enabling consumers to buy more in existing space and new channels and formats;
- To deepen customer relevance by driving shared returns, leveraging the scale of its overall portfolio and doing more with customers across the value chain; and
- To adopt a distinctive and repeatable Greencore Way of working, centred on the Group's four differentiated capabilities: Great Food, People at the Core, Greencore Excellence, and Sustainable Business.

These objectives are underpinned by an economic model of disciplined growth and investment, driving shareholder value.

There were a number of highlights that demonstrated this strategy in action in FY19. The Group launched multiple commercial projects with key customers including product launches in salads, sushi and chilled snacking and bespoke café channel initiatives. In total during FY19, 47% of the Group's products in the UK were new to market as it worked with customers on product or packaging development initiatives. The Group also initiated exploratory work in other areas, including hot food and event-specific vending. In September 2019, the Group acquired Freshtime, extending Greencore's presence in meal salads and chilled snacking. The growth outlook for Greencore in food to go categories remains positive, driven by a combination of an expanding underlying market and the Group's initiatives to broaden its category and channel reach.

From a specific category perspective, the Group completed the reset of its ready meals product and facility footprint at Warrington, Kiveton and Consett in the first half of the year. This provides a platform for the Group to drive growth and improve returns in this category.

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 180 to 184.

The Group continued to strengthen its position as a strategic supplier in key growth categories. The Group extended contracts with some core customers in the period. Specifically, the Group partnered with existing customers to improve availability and merchandising in store. More customers also worked with the Group during the year on 'earned recognition', a process of self auditing of food quality and safety.

In FY19, the Group made further progress in developing and executing against its Greencore Excellence efficiency programmes. In its Greencore Purchasing Excellence and Greencore Manufacturing Excellence programmes, the Group is now deploying analytical and data technology solutions to support operating activities, while the Group invested further in its consumer insight capability as part of the Greencore Commercial Excellence initiative. The Group also began to step up work on its automation programme in the period. Furthermore, Greencore up-weighted its sustainability agenda, including making specific commitments around the way in which the business is run and the contributions that it makes to industry sustainability. As part of that, the Group agreed its new primary bank debt agreement with embedded sustainability targets, the first of its kind in Ireland.

Performance

As expected, reported revenue from continuing operations declined by 3.5% to £1,446.1m in FY19, primarily reflecting the impact of site disposals and exits (Hull, Evercreech and Kiveton longer life ready meals). Pro Forma Revenue Growth was 2.6%. Adjusted Operating Profit rose by 0.9% to £105.5m and Adjusted Operating Margin rose by 30bps to 7.3%. The FY19 performance was delivered against the backdrop of a subdued UK trading environment, especially in the second half of the year, with cautious consumer demand particularly in the context of uncertainty around Brexit.

FY19 revenue in the Group's activities in food to go categories (comprising sandwiches, salads, sushi and chilled snacking) totalled £962.5m and accounted for approximately 66% of reported revenue. Reported revenues grew by 3.6% in these categories. Excluding the acquisition of Freshtime, Pro Forma Revenue Growth was 3.3%, with the contribution from underlying product revenue growth modestly higher than that of revenue from the distribution of third

party products. Pro forma revenue growth was weighted towards the first half of the year, with 7.0% in H1 19 and 0.3% growth in H2 19.

Underlying product revenue growth in food to go categories continued to outperform the market during the year. Market growth was below historical trends due to a mix of the challenging market conditions, unseasonal weather, a varied trading performance across customers, and a strong comparative period in the second half of the year.

Revenue for the distribution of third party products accounted for approximately 8% of sales in continuing operations with strong growth in H1 19 benefitting from the annualised impact of new business won during FY18. Following the acquisition of Freshtime in September 2019, revenue from its products previously distributed by Greencore is now classified as underlying product revenue.

The Group's other convenience categories comprise activities in the chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Pudding categories, as well as Irish ingredients trading businesses. Reported revenue across these businesses declined by 15.0% to £483.6m. Pro forma revenue increased by 1.2%, when excluding sites either disposed of or that have ceased trading, the impact on transition to IFRS 15 *Revenue from Contracts with Customers* and foreign exchange movements.

Pro Forma Revenue Growth was driven by the ambient cooking sauce business, with ready meals revenue broadly unchanged. The performance in the cooking sauce business was driven by strong volume growth in the first quarter. Revenue in the Group's Irish ingredients trading businesses also advanced on higher volumes.

Inflation trends in the Group's main UK cost components were broadly as anticipated. Raw material and packaging costs rose by 0.4% in FY19 as certain commodity costs continued to increase. Direct labour inflation in the UK accelerated in the period, to approximately 5%, primarily due to the impact of increased National Living Wage levels on the Group's wage structure. The Group mitigated the overall effects of this increased inflation by stepping up the delivery in its Greencore Excellence

programmes and by working with customers to optimise product mix and supply chain costs.

Overall, Adjusted Operating Profit in continuing operations grew modestly in FY19, with an increase of £0.9m to £105.5m. In its food to go categories, the Group generated an improved performance in the period, driven by volume growth and a strong operational performance. In the Group's other convenience categories, an improvement in the ready meals business in H2 19 following the reset of its product and facility footprint was offset by a mixed performance in the Group's cooking sauce business.

Brexit

The Group has been engaged in Brexit planning since the result of the referendum was first announced and monitors closely the potential implications of Brexit on its business, particularly in the areas of volume, material sourcing and labour availability. 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.

The Group continues to believe that the risks from Brexit are manageable in the medium-term, while acknowledging potential near-term challenges associated with a disorderly exit.

The direct financial impact associated with preparation for Brexit was modest in the period. Some incremental working capital outflows in H1 19 unwound as the financial year progressed.

Discontinued operations

On 25 November 2018, the Group completed the disposal of its US business to Hearthside Food Solutions LLC. Results for the US business are presented as discontinued operations in the Group Financial Statements. A profit on disposal of £55.9m was reported in FY19 to reflect this transaction. Details of FY19 performance of discontinued operations and disposal of undertakings are included in Note 33.

Operating and Financial Review *continued*

Group cash flow and returns

	FY19 £m	FY18 £m	Change (As reported)
Free Cash Flow	54.9	92.4	-£37.5m
Net Debt	288.5	501.1	
Net Debt:EBITDA as per financing agreements	1.8x	2.3x	
ROIC	14.4%	15.6%	-120bps

Strategic developments

Following the disposal of its US business on 25 November 2018, the Group fully reset its capital structure. The Group returned £509.0m of capital to shareholders in the form of a tender offer, with 261,025,641 Ordinary Shares acquired and immediately cancelled by the Group, executed on 31 January 2019. The Group also reshaped its debt and associated derivative portfolio to reflect the removal of US dollar assets from the business and also refinanced its primary sterling bank debt agreements. An exceptional charge of £25.4m was recognised in FY19 to reflect this reset.

The Group also defined its capital allocation model following the strategic reset of the business. Central to this is the Group's medium term target leverage range of 1.5x to 2.0x Net Debt:EBITDA, as measured under financing agreements. This model facilitates a progressive dividend policy, disciplined organic and inorganic investment, and potential incremental shareholder return over time.

Performance

Free Cash Flow was £54.9m in FY19 compared to £92.4m in FY18, the decrease primarily reflecting the impact of US cash flows. This represents a conversion rate of 36% of Adjusted EBITDA (FY18: 45%). Excluding the US cash flows, Free Cash Flow Conversion increased to 47% from 33% in FY18, driven by improved EBITDA, lower working capital outflows, lower interest costs and lower exceptional cashflows.

Several other factors had a specific impact on cash flow during FY19. These included the effects of the disposal of the US business and associated capital restructuring, as well as the timing of dividend payments.

Net Debt decreased to £288.5m from £501.1m at the end of FY18. The Group's Net Debt:EBITDA leverage as measured under financing agreements was 1.8x at year end. This compared to 1.9x at the end of March 2019 and 2.3x at the end of September 2018. This outturn includes the increased debt associated with the

Freshtime acquisition completed in early September 2019. As at 27 September 2019, the Group had committed facilities of £506m with a weighted average maturity of 4.0 years.

ROIC was 14.4% for the 12 months ended 27 September 2019, compared to 15.6% for the 12 months ended 28 September 2018. The reduction was primarily driven by increased investment, in particular the timing of the acquisition of Freshtime and was also impacted by an increased tax rate.

Financial Review

The Group completed the disposal of its US business on 25 November 2018. The results of this business have been included as discontinued operations in the Group Financial Statements in FY19 and FY18.

Revenue and Operating Profit – continuing operations

Reported revenue in the period was £1,446.1m, a decrease of 3.5% compared to FY18, primarily reflecting the impact of site disposals and exits in the period. Pro Forma Revenue Growth was 2.6%.

Group Operating Profit increased from £49.8m to £99.8m as a result of a material reduction in the level of exceptional items in FY19. Adjusted Operating Profit of £105.5m was 0.9% higher than in FY18 with improved profits in food to go categories in FY19 offsetting a mixed performance in the Group's other convenience categories. Adjusted Operating Margin was 7.3%, 30 basis points higher than the prior year.

Net finance costs – continuing operations

The Group's net bank interest payable was £14.2m in FY19, a decrease of £12.0m versus FY18. The decrease was driven by lower average Net Debt levels following the disposal of the Group's US business. The Group's non-cash finance charge, before exceptional items, in FY19 was £4.7m (FY18: £6.7m). The change in the fair value of derivatives and related debt adjustments was a £2.1m charge in FY19 (FY18 charge: £3.3m). The non-

cash pension financing charge of £2.5m was £0.9m lower than the FY18 charge of £3.4m.

The exceptional non-cash finance charges are detailed below in Exceptional Items.

Profit before taxation – continuing operations

The Group's profit before taxation increased from £17.8m in FY18 to £56.4m in FY19, as higher Group Operating Profit more than offset an increase in net finance costs, which include an exceptional finance charge. Adjusted Profit Before Tax in the period was £92.3m (FY18: £79.6m), primarily driven by a reduction in the Group's net bank interest payable.

Taxation – continuing operations

The Group's effective tax rate in FY19 (including the tax impact associated with pension finance items) was 15% (FY18: 13%). The future rate is expected to continue to reflect the blend of profits within the Group, heavily influenced by the UK statutory rate.

Exceptional items

The Group had a pre-tax exceptional credit of £25.7m in FY19, and an after tax credit of £25.9m, comprised as follows:

Exceptional Items	£m
Guaranteed Minimum Pension ('GMP') equalisation	(3.0)
Transaction costs associated with acquisition of Freshtime	(1.8)
Network optimisation and rationalisation	0.0
Debt restructuring post disposal of Greencore's US business	(25.4)
Profit on disposal of Greencore's US business	55.9
Exceptional items (before tax)	25.7
Tax credit on exceptional items	0.2
Exceptional items (after tax)	25.9

A cash outflow of £12.6m is included in the debt restructuring charge to reflect the net cash cost of terminating US dollar related swaps. Cash items associated with the disposal of Greencore's US business are detailed in Note 33.

Earnings per share

Basic earnings per share for total operations was 19.9 pence (FY18: 4.8 pence). This was driven by a £72.2m increase in earnings from total operations as the movement in exceptional items,

from a net charge of £51.7m in FY18 to a net credit of £25.9m in FY19, more than offset a reduction in profits due to the disposal of the Group's US business. Basic earnings per share also benefitted from a reduction of 261m in the number of shares in issue as a result of the tender offer which was executed in January 2019. The weighted average number of shares in issue in FY19 was 532.0m (FY18: 703.3m).

Adjusted earnings from total operations were £84.9m in the period, £21.0m behind prior year levels largely due to the disposal of the Group's US business. Adjusted earnings per share for total operations of 16.0 pence was 6.0% ahead of FY18 which primarily reflects the impact of a reduction in the number of shares in issue as a result of the tender offer.

Illustratively, if the tender offer had been executed at the beginning of FY19 and the weighted average number of shares in issue was equivalent to the total shares in issue on 27 September 2019 (446.0m), and if earnings from discontinued operations were excluded, Adjusted EPS would have been 17.0 pence.

Cash flow and net debt

Adjusted EBITDA from continuing operations was £2.0m higher at £142.0m. EBITDA relating to discontinued operations was £9.1m. The Group incurred a working capital outflow of £22.8m. This included a £21.2m outflow associated with the US business, offset in part by an element of the net cash proceeds from the disposal of the US business. The working capital outflow in continuing operations was £1.6m. Maintenance capital expenditure of £30.6m was incurred in the period (FY18: £36.7m). The cash outflow in respect of exceptional charges was £9.6m (FY18: £15.0m), of which £8.7m related to prior year exceptional charges.

Interest paid in the period was £16.9m (FY18: £26.7m) reflecting lower net debt levels following the disposal of the US business. Cash tax remained low as the Group utilised historical tax losses. The cash tax rate in the period was 4% (FY18: 1%). The cash tax rate for the Group is expected to rise towards the Group's effective rate in the medium 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 cash funding for defined benefit pension schemes increased to £16.0m (FY18: £15.1m), as the trustees of one of the smaller legacy defined benefit pension schemes in the UK agreed to the

purchase of an insurance policy over the scheme liabilities in the period. These movements resulted in Free Cash Flow of £54.9m compared to £92.4m in FY18, the reduction driven primarily by the effects of the disposal of the Group's US business.

In FY19, the Group incurred strategic capital expenditure of £13.6m (FY18: £26.8m), including expenditure of £1.2m incurred in discontinued operations.

The net cash outflow associated with acquisitions totalled £56.2m, reflecting the acquisition of Freshtime in September 2019. Net cash proceeds from disposals totalled £811.9m, of which £810.9m related to the disposal of the US business. Following the disposal of the US business, the Group also returned £509.0m of capital to shareholders in the form of a tender offer and used the remainder of the net proceeds to reduce leverage, £12.6m of which was used to repay swaps as part of the reshaping of its debt and derivative portfolio.

Equity dividend cash payments increased significantly to £50.3m (FY18: £35.7m), reflecting the change in the phasing of dividend cash payments resulting from the removal of the scrip dividend option (both the interim and final dividend for FY18 were paid during H1 19, and the interim dividend for FY19 was paid during H2 19).

The Group's Net Debt at 27 September 2019, a seasonal low point, was £288.5m, a decrease of £212.6m from 28 September 2018.

Financing

In FY19, the Group reshaped its debt and associated derivative portfolio to reflect the removal of US dollar assets from the business as well as, in January 2019, refinancing its primary sterling bank debt agreements. The Group remains well financed with committed facilities of £506m at 27 September 2019 and a weighted average maturity of 4.0 years. The Group had undrawn committed facilities of £175.0m at 27 September 2019 (FY18: £188.3m).

Pensions

All legacy defined benefit pension schemes are closed to future accrual. The net pension deficit relating to legacy defined pension schemes, before related deferred tax, at 27 September 2019 was £92.0m, £2.7m higher than the position at 28 September 2018. The net

pension deficit after related deferred tax was £74.8m, an increase of £1.2m from 28 September 2018. The increase in net pension deficit was driven principally by an increase in UK scheme liabilities, resulting in a £13.3m actuarial loss, as relevant bond yield assumptions were reduced. This includes an increase in liabilities to meet GMP equalisation of benefits for males and females in the Group's legacy defined benefit pension scheme in the UK.

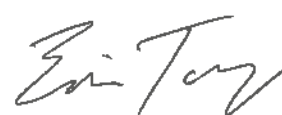
The valuations and funding obligations of the Group's legacy defined benefit pension schemes are assessed on a triennial basis with the relevant trustees. Following the most recent reviews, the Group's annual cash funding requirement for defined benefit pension schemes is approximately £15m. The Group is assessing opportunities to further de-risk liabilities, that if implemented, could modestly increase annual cash funding requirements.

Dividends

The Board of Directors is recommending a final dividend of 3.75 pence per share. This will result in a total dividend for the full year of 6.20 pence per share (FY18: 5.57 pence per share). The total dividend represents a pay-out amount of approximately 36% of adjusted earnings.

Summary

Greencore has entered FY20 with a clear set of strategic objectives. These are to drive growth in an expanding food to go market, to deepen its relevance with customers, and to adopt a distinctive and repeatable Greencore Way of working. These are underpinned by an economic model of disciplined growth and investment. The Group anticipates a year of profitable growth in FY20. The Group's medium term financial ambitions are for mid single-digit organic revenue growth, high single-digit Adjusted EPS growth, the conversion of half of its Adjusted EBITDA to Free Cash Flow and for mid-teen ROIC. A strong balance sheet and improved Free Cash Flow conversion leaves the Group well placed to deliver on these ambitions and to consider further organic and inorganic investment in line with its capital allocation policy and strategic objectives.



Eoin Tonge
Chief Financial Officer
25 November 2019

How we manage risk

THE EFFECTIVE INTEGRATION OF RISK MANAGEMENT UNDERPINS OUR OPERATING, FINANCIAL AND GOVERNANCE ACTIVITIES. AS A LEADING FOOD MANUFACTURER IN A COMPETITIVE ENVIRONMENT, IT IS CRITICAL THAT GREENCORE IDENTIFIES, ASSESSES AND PRIORITISES ITS RISKS IN ORDER TO HELP MANAGE AND MITIGATE THE PROBABILITY AND IMPACT OF THESE RISKS.

Our approach to risk management

Effective risk management is the responsibility of the Board and is fundamental to the ability of the Group to deliver on its strategic objectives. The Board understands the need for a robust system of internal controls and a risk management framework in accordance with the 2018 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 page 49.

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 laws and regulations.

Under delegation from the Board, the Audit Committee regularly monitors the Group's risk management systems. Amongst its other responsibilities, the Audit Committee is responsible for overseeing the effectiveness of the Group's internal control environment. Further information on the activities of the Audit Committee for FY19 can be found in the Report of the Audit Committee set out on pages 92 to 96.

The Group seeks to continually test and improve its internal control environment. 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 are regularly reviewed, remain appropriate and continue to operate effectively.

Identifying and monitoring principal risks

Principal risks are identified through a well established Group wide risk assessment process, which is known as a 'bottom up' approach. This encompasses the identification, management and monitoring of risks in each area of the business and ensures risk management controls are embedded within the operations of the business. This process includes an assessment of the risks to determine the likelihood of occurrence, the potential impact and the adequacy of the mitigation or control in place.

A full 'top down' review is then undertaken by management, who evaluate the material risks of the Group with reference to its strategy and the operating environment.

The Audit Committee monitors these processes, reviews the risk register and reports material risks and associated controls to the Board. In addition, the Board receives presentations on the risk assurance process with a specific emphasis on certain key risk areas.

The Group's principal risks and uncertainties are summarised in the risk profile table as set out on pages 40 to 43.

Brexit

Since the UK referendum result on membership of the EU in June 2016 we have been engaged, via a well-established Brexit taskforce, in planning for the UK's exit from the EU. 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.

In recent months we have focused on the areas that could have the most direct impact on our ability to service customers at the time the UK leaves the EU. These areas include maintaining effective customer service, efficient movement of goods, managing the impact of potential tariffs and quota restrictions and ensuring compliance with regulatory frameworks.

Longer term, we have identified three primary areas of potential risk:

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 one third of our raw materials are imported from EU-27 countries. For these materials, we have made alternative sourcing arrangements and have a well-developed contingency plan, which includes 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 any 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.

Consideration of these risks has been incorporated into the Group's principal risks as appropriate.

Risk appetite

The Board considers and assesses risks in five broad categories, namely; strategic, commercial, operational, people 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 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 strategic investment decisions, such as acquisitions, capital investments or new category expansions. In these cases, a higher level of risk may be accepted. Through the risk management framework, material strategic investment decisions are approved by the Board. These are supported by detailed diligence information, documentation and analysis, along with subject matter experts and 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, as set out below.

Risk assurance

1st

Line of defence

Source

Operational management/business operations

Nature of assurance

Direct assurance at the business level – including direct monitoring, management controls, policies and procedures, performance indicators and self-assessment.

2nd

Line of defence

Source

Central governance oversight

Nature of assurance

Risk assurance – including corporate risk assessment and management processes, central technical, health and safety and environmental resources. Central governance processes including policies, procedures and training.

3rd

Line of defence

Source

Third party and independent review

Nature of assurance

Independent assurance – including internal audit review by RMG, external audits, customer reviews and audits, use of professional advisors and insurance.

Principal Risks

Risk area	Description of risk	Control	Movement
Strategic			
Competitor activity	The Group operates in highly competitive markets. Significant product innovations, technical advances and/or the intensification of price competition by competitors, both direct manufacturing competitors or competitors of our customers, could adversely affect the Group's results.	The Group develops long term strategic partnerships with its customers that are based on several factors including quality, service, innovation and cost effectiveness. The Group invests in research and development and continuous improvement to ensure that the introduction of both new products and improved production processes competitively meet the Group's customer needs in its chosen markets. The Group also continually works to streamline its cost base to ensure it remains cost competitive.	<p>The risk has stayed the same.</p>
Growth and change	The Group is pursuing a strategy of growth and expansion in the UK. Delivery of our stated strategy will necessitate organisational change and investment, major capital investments and exploiting corporate development opportunities. Major capital investments and corporate development opportunities are often high cost and may involve significant change including the addition of a material number 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 management is established to ensure successful integration. The Board receives regular updates on 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.	<p>The risk has stayed the same.</p>
Commercial			
Changes in consumer behaviour and demand	In common with other food manufacturers, changes in food consumption patterns may impact the Group. These changes may relate to consumer attitudes to health and, more recently, sustainability. Demand for a number of the Group's products can also be adversely affected by fluctuations in the UK 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 Group is working with customers to respond to evolving consumer eating trends, including consumer concerns surrounding plastic packaging.	<p>Due to concerns around Brexit and an increased focus on sustainability, the Group's risk has increased.</p>
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, tightening of commercial terms, or brand or reputational damage associated with such supply could result in a material impact on the Group's results. The Group is also exposed to poor performance and execution by the customers in the categories it supplies. Changes to the grocery industry structure may also adversely affect performance.	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 developing its business for a broad range of customers across all formats.	<p>The risk has stayed the same.</p>

STRATEGIC LINKS



Growth



Relevance



Differentiation

RISK TREND



Risk increased








Risk unchanged



Risk decreased

Risk area	Description of risk	Control	Movement
Commercial (continued)			
Raw material and input cost inflation	The Group's cost base and margin can be affected by fluctuating raw material and energy prices and changes in cost and price profile. The Group also relies on a concentrated number of key suppliers for certain materials. A loss 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.	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 input cost inflation in FY19 through this combined approach.	<p>The gross risk has increased, due to the continuing uncertainty associated with Brexit.</p>
Operational			
Food industry and environmental regulations	As a producer of convenience food and ingredients, Greencore is subject to rigorous and constantly evolving laws and regulations, particularly in the areas of food safety and environmental protection. Failure to comply with such regulations may lead to serious financial, reputational and/or legal risk.	The Group maintains a strong technical function 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.	<p>The risk has stayed the same.</p>
Product contamination	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 withdrawn or recalled, or causing harm to customers. As well as being a significant draw on resources, product contamination could result in a financial, reputational and/or legal impact on the Group.	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. Each facility is subject to frequent 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 quality checking of all ingredients. In FY19, 38,300 internal audits and 236 external audits were carried out at our facilities and 154 audits were carried out on Group suppliers.	<p>The risk has stayed the same.</p>
Disruption to day to day Group operations	The Group is at risk of disruption to its day-to-day operations from the breakdown of key manufacturing equipment or the loss of part or all of a significant facility.	The Group maintains industry leading operational processes and procedures to ensure effective operational management at each facility. The Group invests significantly in high calibre site teams with responsibility across engineering and maintenance, supply chain, planning and operational excellence. The Greencore Manufacturing Excellence programme introduced in FY17 has led to significant investment in this area. The Group also maintains robust security and comprehensive operational disaster recovery plans. In addition, the Group undertakes regular reviews of all facilities with external insurance and risk management experts, the aim of which is to improve the Group's risk profile.	<p>The risk has stayed the same.</p>

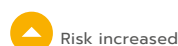
Principal Risks continued

Risk area	Description of risk	Control	Movement
Operational (continued)			
IT systems and cyber risk	The Group relies heavily on information technology and requires continuous investment in systems to support our business. In common with most large companies, the Group is susceptible to cyber security attacks with the threat to the confidentiality, integrity and availability of such systems. Losses caused by accidental or malicious actions, including those resulting from a cyber security attack, could have a significant impact on the Group.	Greencore maintains a programme of controls to protect the confidentiality, integrity and availability of information across the Group. The Group has a detailed information security plan focused on training, systems controls and systems architecture improvements. In addition the Group has cyber insurance to transfer part of the risk of any attack to our insurer.	 <p>The risk has stayed the same.</p>
People			
Health and safety	In addition to the obvious human cost, a serious workplace injury or fatality could inevitably carry serious financial, reputational and/or legal risk.	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 factory floor.	 <p>The risk has stayed the same.</p>
Labour availability and cost	Due to political and economic uncertainty and change, there is a risk that labour cost and availability may be affected and this could have a detrimental impact on the Group.	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 employee engagement. The Group also maintains a strong commercial focus on process and cost improvement to manage and mitigate the increased cost of labour.	 <p>The gross risk has increased, due to the continuing uncertainty associated with Brexit.</p>
Ethical compliance	The Group has identified ethical compliance as a standalone principal risk. Greencore is a large employer and also sources ingredients from supply chains which in certain cases can be complex. Any failure to comply with ethical standards for our workforce may have a financial, reputational and/or legal impact for the Group. Failure to ensure that products are sourced responsibly and sustainably across supply chains may result in breaches of laws or regulations and may have a financial, reputational and/or legal impact for the Group.	The Group continues to monitor and improve its controls to further reduce the risk of unethical practices taking place and has recently established a cross functional 'Group Ethics Committee' to lead the Group's ethical agenda. The Group operates under a number of policies and procedures, which set out the standards expected throughout the Group. All facilities are Stronger Together business partners and the Group works with its suppliers to build effective and transparent supply chains. Supplier audit programmes are in place to monitor human rights and the ethical treatment of workers.	<p>This is a new risk. Elements of ethical compliance were previously embedded in other principal risks.</p>

STRATEGIC LINKS



RISK TREND



Risk area	Description of risk	Control	Movement
People continued			
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. The Nomination and Governance Committee reviews succession planning at senior management level.	<p>The risk has stayed the same.</p>
Financial			
Interest rates, foreign exchange rates, liquidity and credit	There are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. In addition, the Group's credit rating and overall credit profile impacts its ability to obtain funding for future development and expansion.	These risks are actively managed by the Group's Treasury function. The function operates within the framework of strict Board approved policies and procedures which are explained further in Note 24 to the Group Financial Statements. The Group remains well financed with committed facilities of £506m at 27 September 2019 and a weighted average maturity of 4.0 years.	<p>The risk has reduced following the disposal of the US business and reshaped capital structure.</p>
Employee retirement obligations	The Group's defined benefit pension schemes 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. Volatility in worldwide equity and bond markets can impact the risk of employee retirement obligations.	The Group has closed all defined benefit pension schemes to future accrual. The risks are mitigated by paying appropriate contributions into the schemes and through balanced investment strategies which are designed to avoid a material deterioration of the current surplus or deficit in each fund. Where relevant, the Group also uses specific arrangements to improve the security of scheme benefits while reducing contributions.	<p>The risk has stayed the same.</p>

Board of Directors



Gary Kennedy
BA, FCA

Non-Executive Director
Group Chairman
(Aged 61)



Patrick Coveney
B Comm, M Phil, D Phil

Chief Executive Officer
(Aged 49)



Eoin Tonge
B Eng

Chief Financial Officer
(Aged 47)



Peter Haden

Chief Operating Officer
(Aged 46)



Sly Bailey

Non-Executive Director
Senior Independent
Director (Aged 57)

Committee membership



Appointed as Non-Executive Director on 20 November 2008 and Group Chairman on 29 January 2013.

Appointed as Chief Financial Officer until March 2008, when he was appointed Chief Executive Officer. Before joining Greencore, Patrick was Managing Partner of McKinsey & Co., Ireland for seven years.

Appointed on 03 October 2016.

Appointed on 21 May 2019.



Appointed as Non-Executive Director on 17 May 2013 and Senior Independent Director on 14 December 2017.

Relevant skills and experience

Gary has served on the board of a number of listed and private companies including Green Reit plc, Elan plc, Allied Irish Bank plc and Friends First Holdings Ltd. He also served on the Board of the IDA Ireland and was a Government appointed director of IBRC.

Gary has a long executive career in technology, financial services and a non-executive portfolio spanning a variety of sectors, including property, financial services, foods, biotechnology, technology and logistics.

Gary places high importance on regular, constructive engagement with shareholders and on building relationships both with fellow Board members and colleagues around the business. Gary brings extensive financial knowledge to the Board as he is a Fellow of the Institute of Chartered Accountants. Gary is a council member of the Institute of Directors. He also is a founding chair of the 30% Club Ireland, co-chair of Balance for Better Business and is dedicated to driving the ethos of diversity throughout the Group.

Patrick served as Greencore's Chief Financial Officer until March 2008, when he was appointed Chief Executive Officer. Before joining Greencore, Patrick was Managing Partner of McKinsey & Co., Ireland for seven years.

Patrick's long term corporate vision enables him to lead the Group effectively. He considers stakeholder engagement crucial to long term value creation and spends considerable time engaging with stakeholders, including customers, colleagues and shareholders. In particular, Patrick has been pivotal in developing and maintaining long term relationships with Greencore's customers over the past eleven years. He also maintains wider relationships in the food and grocery industry.

Patrick's non-executive appointments at Glanbia plc and Core Media enable him to bring valuable external perspective to his role on the Board.

Eoin joined the Group in 2006. His career at Greencore began with responsibility for capital markets and strategy, working on a number of corporate development initiatives. Eoin also held the position of Managing Director of the Group's grocery business. Eoin became Chief Financial Officer in 2016 and is tasked with overseeing the Group's accounting functions.

Eoin brings a high level of integrity and a sharp awareness of risks to the Board. His comprehensive understanding of the financial position of the Group is invaluable when engaging with shareholders.

Eoin was pivotal in developing the Group's original cultural framework 'The Greencore Way' in 2013 and is highly involved in the sustainability agenda.

Eoin has a strong financial and capital markets background having held a variety of roles with Goldman Sachs before joining Greencore.

Peter is a recent addition to the Board having joined in May 2019. In parallel, he also took on the role of Chief Operating Officer where he has responsibility for running the day to day business, strengthening the organisation and building the Group's capability.

Peter joined Greencore in January 2015 as Chief Development Officer and was appointed UK Managing Director in 2018.

His strategic mind-set and operational expertise are valued as Greencore drives performance enhancements.

His experience as Partner of McKinsey and brand manager at Proctor & Gamble allow him to bring an in-depth strategic perspective to the Board.

Sly is a highly experienced business leader having held the position of chief executive officer of Trinity Mirror plc for ten years, as well as previously serving as chief executive officer of IPC Media.

Sly has held a number of board roles 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.

Sly currently serves on the board of IPSX Group Limited as non-executive director and chair of the remuneration committee. With her executive and non-executive roles over a diverse range of companies, Sly brings a wealth of experience and understanding of different points of view and business circumstances which underpin her appointment as Senior Independent Director and more recently, as Workforce Engagement Director.

Key current external appointments

Non-Executive Chairman of
Connect Group plc

Non-Executive Director
of Glanbia plc

Board committees

A Audit	R Remuneration
N Nomination and Governance	O Committee Chair



Heather Ann McSharry
B Comm, MBS

Non-Executive Director
(Aged 58)



John Moloney
B Ag Sc, MBA

Non-Executive Director
(Aged 65)



Helen Rose
FCA

Non-Executive Director
(Aged 54)



John Warren
BSc, FCA

Non-Executive Director
(Aged 66)



Jolene Gacquin
B Corp Law, LLB,
Dip Corp Gov, FCG

Group Company Secretary
(Aged 38)

A R

Appointed on
30 January 2013.

N R

Appointed on
08 February 2013.

A

Appointed on
11 April 2018.

A

Appointed on
30 January 2013.

Appointed on
29 January 2019.

Relevant skills and experience

Heather Ann has extensive experience across a broad range of industries at both executive and non-executive director level.

She was previously Managing Director for Reckitt Benckiser and Boots Healthcare in Ireland having also served on the Board of the Governor and Company of the Bank of Ireland.

Heather Ann is currently serving as a non-executive director on the boards of three other publically listed companies operating in the healthcare, pharmaceuticals and construction materials sectors.

Through this diversity of experience she brings a highly knowledgeable perspective to the Board and Committees on which she serves, including the Remuneration Committee of which she is Chair.

John has top management and board level experience internationally and domestically in the dairy, meat and nutritional sectors, covering processing, marketing and distribution.

John spent the majority of his executive career at Glanbia plc. He was Group Managing Director from 2001 to 2013 and also held a number of senior management positions within the organisation, including the position of Chief Executive of Food Ingredients and Agribusiness.

During his time at Glanbia, he successfully rationalised the business and refocused its strategy.

As well as extensive food industry experience, John brings deep experience of managing complex businesses through periods of significant change.

Helen is a Chartered Accountant having qualified at Coopers & Lybrand. Helen brings substantial operational, financial, risk and UK retail experience gained from senior finance roles at Dixons, Forte, Safeway and Lloyds Banking Group.

Most recently Helen held the position of Chief Operating Officer at TSB Banking Group plc, a subsidiary of Sabadell where she was tasked with leading the bank's development to be a multi-channel, challenger bank.

Helen has a probing focus on risk matters and internal controls which are key to the Board.

Being a sponsor for gender diversity during her time at TSB, Helen understands the importance of building a sustainable female talent pipeline and brings strong insight in this area to the Board.

John is a Chartered Accountant who brings extensive financial experience gained from senior financial roles at a number of listed companies. He has held the role of group financial director of United Biscuits (Holdings) Plc and WH Smith PLC.

John has served on the boards of a diverse range of companies and has experience on other audit committees. He has strong experience as an audit committee chair, assisting him to perform this role effectively at Greencore, where he encourages careful scrutiny of the Group's controls.

John currently sits on two listed companies as non-executive director. He is also a non-executive director and chair of the audit committee at Welsh Water. Previously he 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.

Having joined Greencore in 2008, Jolene has held a variety of legal and company secretariat roles within the Group, including Deputy Group Secretary and more latterly Head of Legal and Compliance. In addition to her role as Group Company Secretary, Jolene is responsible for legal and regulatory matters for the wider Group.

Jolene served on the Board of Galway Simon Community from November 2015 until September 2019 and is a member of the Aon Bord Bia Agri-Food Diversity & Inclusion Advisory Group.

Jolene is a Fellow of the Chartered Governance Institute.

Non-Executive Director of CRH plc, Jazz Pharmaceuticals plc and Uniphar Group plc

Non-Executive Chairman of DCC plc, Non-Executive Director of Smurfit Kappa plc

Senior Independent Director and Chair of Audit Committee at Bloomsbury Publishing Plc and 4imprint plc

Directors' Report

THE DIRECTORS PRESENT THEIR REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 SEPTEMBER 2019. THE DIRECTORS' REPORT IS CONTAINED ON PAGES 44 TO 101.

Principal activities

Greencore's business primarily operates in the attractive convenience food sector in the UK. The Group supplies grocery and other retailers including all of the major UK supermarkets. The Group serves customers across a broad range of convenience food categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings. Greencore operates from 16 world-class manufacturing locations in the UK, with industry-leading technology and supply chain capabilities. The Group also operates two ingredients trading businesses in Ireland. The Group employs approximately 11,500 people and is headquartered in Dublin, Ireland. Greencore's shares are listed on the London Stock Exchange and are included in the FTSE 250 Index.

Results and review of activities

The Group's performance and development activity is summarised in the Operating and Financial Review set out in pages 34 to 37. The principal subsidiary and associate undertakings are listed in Note 35 to the Group Financial Statements and form part of this report.

The Group Income Statement, which is set out on page 111, details the Group's results for the year. The Group reported Adjusted Operating Profit for continuing operations for the year of £105.5m (FY18: £104.6m). Profit for the financial year after taxation was £108.2m (FY18: £36.5m).

Dividends

An interim dividend of 2.45 pence (FY18: 2.20 pence) per share (totalling £10.9m) was paid on 3 July 2019. The Directors are recommending a final ordinary dividend of 3.75 pence (FY18: 3.37 pence) per share. Subject to shareholder approval, this dividend is to be paid on 28 February 2020 to shareholders who are on the register of members at 5.00pm on 3 January 2020. If approved, the total final dividend will equal £16.7m based on the number of shares in issue as at 25 November 2019. This will give a total dividend of 6.20 pence for the year and represents an increase of 11.3% on the prior year's total dividend per share.

Return of capital

At the Extraordinary General Meeting ('EGM') held on 7 November 2018, shareholders approved the disposal of the US business as well as a capital return to shareholders. To facilitate the proposed return of capital, shareholders approved a capital reduction of £650,785,438.98 of share premium, to be converted into profits available for distribution. The capital reduction was confirmed by the High Court on 28 November 2018. Whilst it was originally intended that the capital return would be transacted via the payment of a special dividend, following a consultation exercise with shareholders, and taking their views into account, alongside the focus on an efficient return of capital, the Group decided to implement the capital return by way of a tender offer available to all eligible shareholders for up to £509m. The tender offer was formally approved by shareholders at the Company's Annual General Meeting (the 'AGM') on 29 January 2019 and was fully subscribed. Following the completion of the tender offer, 261,025,641 Ordinary Shares were purchased and subsequently cancelled on 31 January 2019.

Share capital

As at 28 September 2018, there were 706,978,416 Ordinary Shares in issue. As set out above, on 31 January 2019, 261,025,641 Ordinary Shares were purchased as part of the tender offer and were subsequently cancelled. The Group Scrip Dividend Scheme ceased fully during FY18 and therefore no Ordinary Shares were issued under the scheme during FY19 (FY18: 1,210,655). In FY19, 53,806 (FY18: 120,950) Ordinary Shares were issued under the Company's ShareSave Schemes. Further details are set out in Note 27 to the Group Financial Statements.

As at 27 September 2019, Greencore's issued ordinary share capital consisted of 446,006,581 Ordinary Shares with voting rights.

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 AGM held on 29 January 2019, amongst other resolutions passed:

- 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;
- the shareholders gave the Directors authority to allot shares up to a maximum nominal amount equal to £2,333,028.77;
- shareholders gave authority to Directors to disapply pre-emption rights;
- shareholders gave authority to Directors to re-allot shares purchased by the Company and not cancelled as treasury shares; and
- shareholders approved the appointment of Deloitte Ireland LLP as external auditor.

At the forthcoming AGM scheduled to take place on 28 January 2020 amongst other resolutions:

- Directors will seek authority to make market purchases or overseas market purchases of up to 10% of its own shares. If approved, any purchases will 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;
- Directors will seek approval to allot relevant shares up to an amount equal to approximately 33% of the aggregate nominal value of the issued ordinary share capital of the Company;
- Directors will seek approval to disapply the strict statutory pre-emption provisions relating to the issue of new equity for cash until the date of the AGM to be held in 2021, or 28 April 2021, whichever is earlier. If approved, the disapplication will be limited to the allotment of equity securities in connection with any rights issue or any open offer to shareholders, 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; and
- Directors will seek authority to re-allot shares purchased by the Company and not cancelled as treasury shares. If the resolution is passed, the authority will expire on the earlier date of the AGM in 2021 or 28 April 2021 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 employee 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

Greencore enters FY20 with a clear set of strategic objectives. These are to drive growth in an expanding food to go market, to deepen customer relevance, and to adopt a distinctive and repeatable Greencore Way of working. These objectives are underpinned by an economic model of disciplined growth and investment, creating value for all stakeholders.

The Group anticipates a year of profitable growth in FY20. The Group's medium term financial ambitions are for mid single-digit organic revenue growth, high single-digit Adjusted EPS growth, the conversion of half of Adjusted EBITDA to Free Cash Flow, and for mid-teen ROIC.

Directors for year ended 27 September 2019

The names of each of the Directors and a short biographical note on each Director appear on pages 44 and 45. Following the disposal of Greencore's US business, Non-Executive Directors Mr Thomas Sampson and Mr Kevin O'Malley retired from the Board in January 2019. On 21 May 2019, Mr Peter Haden was appointed to the Board as Executive Director and in parallel he took on the role of Chief Operating Officer. Having joined the Group in 2015, Mr Haden has held a number of roles within the Group including Chief Development Officer and UK Managing Director.

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 his or her 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. Details of the Board evaluation can be found on pages 57 and 58. Following on from the review, the Chairman and Board are pleased to recommend for re-election each of those Directors who intend to seek re-appointment at the forthcoming AGM as they continue to be effective and remain committed to their role on the Board.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association detail the rights attaching to shares, the method by which the Company's shares can be purchased or re-issued, the provisions which apply to the holding of and voting at general meetings and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. The Company's Articles of Association may be amended by a special resolution passed by the shareholders at an AGM or EGM of the Company. A copy of the Memorandum and Articles of Association can be obtained from the Company's website, www.greencore.com.

Directors' interests in the Ordinary Shares at 27 September 2019

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.

Directors' Report continued

Significant shareholdings

At 27 September 2019, the Company has been advised of the following notifiable interests in its ordinary share capital:

Shareholder	Notified shareholding as at 27 September 2019	Percentage of total Ordinary Shares in issue
Polaris Capital Management, LLC	52,902,854	11.86%
FMR LLC	44,595,590	9.99%
JP Morgan Asset Management Holdings Inc.	24,027,420	5.39%
BlackRock, Inc.	19,667,947	4.41%
Coltrane Asset Management	13,708,987	3.07%

At 25 November 2019, the Company has been advised of the following notifiable interests in its ordinary share capital:

Shareholder	Notified shareholding as at 25 November 2019	Percentage of total Ordinary Shares in issue
Polaris Capital Management, LLC	52,902,854	11.86%
FMR LLC	44,595,590	9.99%
JP Morgan Asset Management Holdings Inc.	24,581,065	5.51%
Coltrane Asset Management, L.P.	20,402,000	4.57%
BlackRock, Inc.	17,543,241	3.93%

Other than these holdings, the Company has not been notified as at 25 November 2019 of any interest of 3% or more in its ordinary share capital.

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 49, 52 to 61, 92 to 96 and 100 and 101.

Greencore Group plc believes that it is fully compliant with the 2016 version of the UK Corporate Governance Code, which applied to the Company for the year ended 27 September 2019.

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 for 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 62 to 91.

Principal risks and uncertainties

Pursuant to Section 327(1)(b) of the Companies Act 2014, Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007, the principal risks and uncertainties that could affect the Group's business are set out on pages 38 to 43 and are deemed to be incorporated in this part of the Directors' Report.

Principal subsidiaries

Details of the Company's principal operating subsidiaries and joint ventures are set out on pages 171 and 172.

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.

Political contributions

The Company made no political contributions which are required to be disclosed under the Electoral 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 27 September 2019, 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.

Audit Committee

The Company has an Audit Committee, the members of which are set out on page 92.

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. As part of these resources, the Group had undrawn committed bank facilities of £175m at 27 September 2019. 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 40 and 41. 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.

Disclosure of information to the auditor

Each of the Directors individually confirm that:

- Insofar 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

At the 2019 AGM, shareholders formally approved the appointment of Deloitte Ireland LLP ('Deloitte') as external auditor. Deloitte replaced KPMG as external auditor with effect from 29 January 2019. Under Irish legislation, the Company's external auditor is automatically re-appointed each year at the AGM unless the meeting passes a resolution to appoint a different auditor or provides that the existing external auditor shall not be re-appointed or, alternatively, if the auditor expresses its unwillingness to continue in office. At the forthcoming AGM, the Company will put an advisory resolution before shareholders in respect of the continuation in office of Deloitte as external auditor.

As required under Section 381(1) (b) of the Companies Act 2014, a resolution authorising the Directors to determine the remuneration of the external auditor will be proposed at the 2020 AGM.

Notice of Annual General Meeting and Special Business

The notice of the 2020 AGM, together with details of special business to be considered at the meeting, will be circulated to shareholders during December 2019.

Directors' Report continued

Non-financial information statement

Pursuant to the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 as amended (the 'Regulations'), the Company is required to report on certain non-financial and diversity information to provide an understanding of its development, performance, position and the impact of its activities. The table below provides details on the information required to be provided by the Regulations and highlights where the information has been provided in this Annual Report and Financial Statements, where applicable.

Reporting requirement	Relevant policies*	Initiatives/location of information	Page																
Environmental matters	Environmental Policy Statement	Sustainability Report	→ 30 and 31																
Communities	–	Sustainability Report, and Corporate Governance Report	→ 27 to 29, 60																
Social and employee matters	Code of Business Practice and Ethical Code and Employment Standards Policy	Sustainability Report, and Corporate Governance Report	→ 27 to 29, 60																
Human rights	Ethical Code and Employment Standards Policy	The Group's approach to human rights is informed by the International Labour Organisation's Declaration of Fundamental Principles and Rights at Work and the 'protect, respect and remedy' framework provided by the United Nations Guiding Principles on Business and Human Rights. See our Sustainability Report.	→ 27 to 29																
Anti-bribery & corruption	Anti-Bribery and Corruption Policy	Greencore is committed to the highest standards of honesty and integrity. The Group does not, and will not, tolerate any employee or representative being involved in any level of bribery or corruption. During FY19, we provided training on the revised internal Anti-Bribery and Corruption Law Compliance Manual which is also available on our online training platform.	N/A																
Diversity	Board Diversity Policy, Group Diversity and Inclusion Policy, and Ethical Code and Employment Standards Policy	<p>At Greencore we are committed to treating all of our colleagues equally, fairly and with dignity and respect. We are also committed to promoting diversity and inclusion within Greencore.</p> <p>In FY19, 40% of all colleagues were female. Females made up 59% of our workforce in Ireland and 40% in the UK. At Board level, 33% of our Directors were female. Average female representation on our subsidiary company boards was 36%, while 58% of senior managers were female.</p> <table> <tr> <th>Country</th><th>Ireland</th><th>UK</th><th>Total</th></tr> <tr> <td>No. of colleagues</td><td>41</td><td>11,498</td><td>11,539</td></tr> <tr> <td>Male</td><td>17</td><td>6,929</td><td>6,946</td></tr> <tr> <td>Female</td><td>24</td><td>4,569</td><td>4,593</td></tr> </table> <p>In addition to internal policies, we undertook various initiatives throughout the Group to promote diversity, including: training colleagues in respect of the importance of promoting diversity and inclusion; acknowledging our female colleagues contribution to the business on International Women's Day; delivering a series of presentations to industry peers at the inaugural GroceryAid Diversity & Inclusion event in March 2019; and celebrating Pride in June 2019 with events held across a number of sites to raise awareness and celebrate the LGBT+ community.</p>	Country	Ireland	UK	Total	No. of colleagues	41	11,498	11,539	Male	17	6,929	6,946	Female	24	4,569	4,593	→ 54 and 99
Country	Ireland	UK	Total																
No. of colleagues	41	11,498	11,539																
Male	17	6,929	6,946																
Female	24	4,569	4,593																

Reporting requirement	Relevant policies*	Initiatives/location of information	Page
Whistleblowing	Ethical Code and Employment Standards Policy. Many of our internal policies also provide information in relation to the independent whistleblowing telephone hotline.	The Group ensures that details of the whistleblowing facility, as well as the whistleblowing telephone hotline number are made visible at all sites and available to all colleagues and third parties. The hotline number is toll free and is available in multiple languages. All concerns are confidential and externally monitored. All concerns are fully investigated by the appropriate team, with the Head of Risk Management providing independent oversight and supervision on all investigations, reporting on whistleblowing activity to the Audit Committee and ensuring appropriate actions are taken where required. Further details are set out in page 95 of the Report of the Audit Committee.	→ 95
Prevention of modern slavery	We publish an annual Slavery and Human Trafficking Transparency Statement on our website, in line with the UK Modern Slavery Act 2015.	The Group has created a Group Ethics Committee whose role includes driving progress in combatting modern slavery. A comprehensive education programme has been implemented, 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'. Recently, an internal video in relation to modern slavery was released across the Group. Further details are set in the Sustainability Report and Corporate Governance report. The Group regularly reviews our eligibility to work systems and has implemented a number of new pre-employment checks.	→ 27 to 29, and 59
Business model	–	Business Model	→ 6 and 7
Non-financial KPIs	–	Key Performance Indicators	→ 24 and 25
Principal risks	–	Risks and Risk Management Report	→ 38 to 43

* Policies are all available on the Group website www.greencore.com

The referenced sections are deemed to be incorporated within this Directors' Report.

On behalf of the Board



Gary Kennedy
Chairman
Dublin
25 November 2019



Eoin Tonge
Director



Corporate Governance Report

THE BOARD IS COMMITTED TO ENSURING THAT THE GROUP'S CORPORATE GOVERNANCE ARRANGEMENTS ARE EFFECTIVE AND CONTINUE TO EVOLVE WITH BEST PRACTICE.

Gary Kennedy

The benchmark used by the Group for measuring corporate governance for FY19 was 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 27 September 2019 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.euronext.com.

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 Board welcomes the introduction of the 2018 UK Corporate Governance Code (the '2018 Code'), which is applicable to accounting periods starting on or after 1 January 2019. The Company will report on its compliance with the 2018 Code in the FY20 Annual Report and Financial Statements.

Notwithstanding the fact that the 2018 Code applies to the Company for FY20, the 2018 Code was tabled and discussed at Board and Committee level on numerous occasions throughout the year. Furthermore, during the year a number of initiatives were undertaken to ensure compliance with the 2018 Code, including:

- The Board has appointed a Workforce Engagement Director with effect from FY20 to ensure that there is active engagement between the workforce and the Board. Further information is set out on page 99;
- On the recommendation of the Nomination and Governance Committee, the Board has approved Terms of Reference for the Senior Independent Director;
- The Board has undertaken a review of the Group's key stakeholders and continues to ensure there is a process in place to understand their views;
- The Group has refined its employee engagement strategy, including its People at the Core survey, a critical tool to understand the culture of the business;
- The Board will continue to attend a number of offices and sites to witness first-hand the skill, professionalism and hard work of our colleagues. Through more frequent engagement on colleague issues and initiatives, the Board will assess and monitor culture throughout the business more effectively. From FY20 the Board has implemented a Site Visit Policy for Non-Executive Directors. See page 55 for more details;
- The Board reviewed the Board Diversity Policy and the Group Diversity and Inclusion Policy (the 'Policies') to ensure that both Policies and practices align with our commitment to promoting diversity at all levels across the Group;

- The Remuneration Committee reviewed the Group's approach to incentivising and rewarding both senior management and the wider colleague base; and
- The Nomination and Governance Committee has continued to ensure that orderly succession plans are in place at both Board and senior management level. Further details are set out on pages 97 to 99.

Priorities for FY20

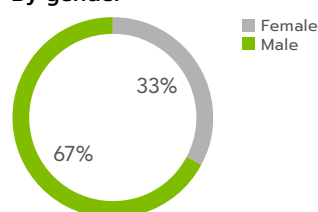
The governance priorities for the coming year include continued Non-Executive Director refreshment and succession planning, continuing our focus on our stakeholders' views, monitoring Group culture, considering environmental, social and governance issues, continued implementation of enhancements to governance practices, and ensuring a continuing focus on diversity.



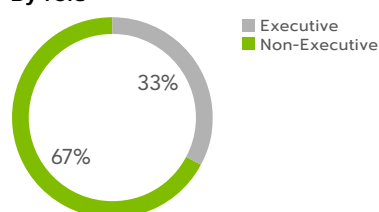
Gary Kennedy
Chairman
25 November 2019

Board diversity as at 27 September 2019

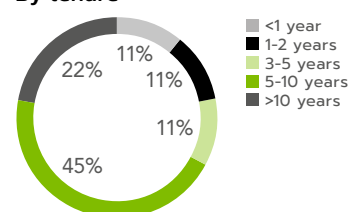
By gender



By role



By tenure



Board leadership

The Board is collectively responsible for promoting the long term success of the Group. Its role is to lead and direct the Group by setting the strategy, overseeing management and monitoring and assessing culture, with the aim of achieving the long term sustainability of the business, for the benefit of employees, customers, suppliers, consumers, shareholders and local communities.

There is an agreed formal list of matters reserved for Board consideration and decision. The list of matters reserved for Board decisions is available under the Corporate Governance section of the Group's website, www.greencore.com, and is reviewed annually by the Board and updated as appropriate. The matters reserved for Board consideration were last updated in April 2019.

Read more on: **Board activities** (page 56) **and stakeholders** (page 59 and 60)

Board composition

The Board consists of three Executive Directors and six 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 44 and 45.

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 strategy, performance, culture, sustainability, health and safety, resourcing, ethics and regulation, risk and IT. In accordance with Provision B.1.2. of the 2016 Code at least half of the Board, excluding the Chairman, is 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.

Corporate Governance Report *continued*

Changes to the Board

Following the disposal of Greencore's US business, Non-Executive Directors Mr Thomas Sampson and Mr Kevin O'Malley retired from the Board in January 2019.

On 21 May 2019, Mr Peter Haden was appointed to the Board as Executive Director. Having joined the Group in 2015, Mr Haden has held a number of roles within the Group including Chief Development Officer and UK Managing Director.

Following the Group's exit from the US market in November 2018, along with the reset of Group strategy and the consequent need to simplify the management structure under the leadership of Mr Patrick Coveney as Chief Executive Officer ('CEO'), Mr Haden will step down from the Board on 31 December 2019. Peter Haden will remain with the Group until April 2020 to enable the Group to transition seamlessly to the new structure. The Board appreciates the strong contribution that Peter Haden has made to the development and performance of Greencore over the past five years and wishes him well for the future.

Independence and Non-Executive Board renewal

Following the retirement of Mr Sampson and Mr O'Malley, the Nomination and Governance Committee undertook a detailed review of both the Board and Committee composition, following on from which it was determined that both the Board and the Committees are of the correct size, structure and composition, 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. Following the FY19 Board evaluation, details of which are set out on page 57 and 58, the Board is satisfied that it is sufficiently independent in order to meet the challenges of its role.

The Board acknowledges that Mr Gary Kennedy has been a Non-Executive Director for eleven years and FY19 was his sixth full year as Chairman of the Company. The Board is highly cognisant that Mr Kennedy's deep understanding of the Group, including key stakeholders, and his commitment to overseeing the successful Non-Executive Director refreshment and succession planning exercise, remains critical to the continuity of effective leadership of the Group. Further information in relation to Non-Executive Director refreshment and succession planning, and the Chairman's tenure, is contained in the Nomination and Governance Committee Report on pages 97 to 99.

As part of the FY19 Board evaluation, the Board reviewed the independence of each of the Non-Executive Directors, including the Chairman. The evaluation confirmed that each of the Non-Executive Directors are independent. In addition, no Non-Executive Director has any material or other relationship with the Group.

Diversity

The Board 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. In accordance with the Board Diversity Policy, which was adopted in FY18 and is reviewed annually, all appointments to the Board are 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 gives due regard to diversity, including diversity of gender, backgrounds, and cognitive and personal strengths. The Nomination and Governance Committee monitors progress on diversity and where appropriate, reports in the Company's Annual Report and Financial Statements on the process used in relation to any Board appointments.

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 58. Additional Board meetings are held on an ad hoc basis as required throughout the year. Both the Board and the Committees held additional unscheduled meetings during FY19. Furthermore, the Nomination and Governance Committee increased the number of scheduled meetings per annum to ensure that appropriate consideration is given to both succession planning and corporate governance matters.

Board meetings generally take place at the Group's head office in Dublin as well as at the offices of the Group's facilities wherein tours of the local facilities are also incorporated into the Board agenda. In FY19, the Board held meetings in both Manton Wood and Park Royal. In addition to the Board meeting, the Directors received management presentations, undertook facility tours and met with colleagues working in each facility. The Board also held an off site strategy session in Ireland over the course of two days. Board meetings are often preceded or followed by informal dinners to which local management teams are invited.

Board papers are circulated electronically to Directors in the week preceding the Board meetings. The Board papers include the minutes of all previous Board meetings 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.

If a Director is unable to attend a Board meeting, either in person or remotely, he or she 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.

Site visit policy

In addition to the above, a formal policy on Non-Executive Director visits to the Group's sites has been devised ('Site Visit Policy'). Under the Site Visit Policy, Non-Executive Directors will undertake visits of certain sites outside of formal Board meetings in order to gain a deeper understanding of both the relevant site, colleagues and culture.

In October 2019, certain Non-Executive Directors visited the Selby sites, after which a report on the visit and associated learnings was fed back to the wider Board.

External appointment policy

During FY19, the Board approved a formalised policy for Directors on external appointments. The policy stipulates that in advance of any new Board appointment, each potential new Non-Executive Director will be provided with information on the time commitment expected of him or her for his or her role. The potential Non-Executive Director is required to provide a detailed overview of all other directorships and other significant commitments together with a broad indication of the time commitment associated with such other directorship(s) or significant commitment(s). The proposed appointee must also confirm that they have sufficient time to dedicate to the role and meet their requirements as a potential Non-Executive Director of the Company. In addition, all incumbent Directors must seek the prior written approval of the Board in advance of undertaking any additional external appointments. Before approving any additional external appointment, the Board shall consider the time commitment required for the role. Each proposed external appointment shall be reviewed independently.

In addition to the above, in accordance with the policy, Executive Directors shall not normally be permitted to take on more than one non-executive directorship in a FTSE 100 company or other significant appointment, however, each proposed external appointment shall be considered independently.

In the event that permission is granted for an incumbent Director to take on a significant external appointment, full details of the rationale for permitting such an appointment shall be clearly explained in the Company's Annual Report and Financial Statements.

Corporate Governance Report *continued*

Key Board activities during FY19

Board strategy and business plans

- Considered the disposal of the US business and associated return of capital of £509m to shareholders.
- Set the Group strategy.
- Considered the acquisition of Freshtime.
- Reviewed and constructively challenged reports from the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer.
- Considered and approved capital proposals.
- Considered changes in senior management and regulatory developments.
- Held a focused two day off site strategy session.

Operational and financial performance

- Received reports from the Chief Executive Officer and the Chief Financial Officer at every meeting in respect of commercial, operational and financial performance and outlook.
- Assessed the Group's capital and financing requirements, arising from the Group's new strategy.
- Approved FY18 full year results, FY18 Annual Report and Financial Statements, FY19 half year results and the FY19 first and third quarter trading updates.
- Recommended the FY18 final dividend and approved the FY19 interim dividend payment.
- Received Group monthly management accounts and reports.
- Received regular updates from the Chair of the Audit Committee on the Audit Committee's oversight of financial performance.

Governance

- Received regular updates on the work undertaken by each Committee.
- Discussed new legislation and regulatory obligations which will affect the Group, including the 2018 Code.
- Discussed and approved the Non-Executive Director refreshment and succession plan.
- Approved the appointment of Ms Jolene Gacquin as Group Company Secretary.
- Approved the appointment of Mr Peter Haden as Executive Director.
- Undertook an internal evaluation of the Board's and individual Director's effectiveness.
- Led by the Senior Independent Director, undertook an evaluation of the Chairman.
- Approved the viability and going concern statements.
- Approved Terms of Reference for Committees, Senior Independent Director and Chairman.
- Approved all circulars and listing particulars.
- Approved and implemented new Board policies including a new Site Visit Policy, External Appointments Policy and Conflicts of Interest Policy.

Risk

- Received regular updates from the Audit Committee Chair on the Audit Committee's oversight of internal controls, risk and risk management.
- Received regular reports on IT strategy from the Chief Information Officer.
- Received presentations on the risk assurance mapping process with deep dives on areas such as food safety and health and safety.

Remuneration

- Received regular updates from the Remuneration Chair on the activities of the Remuneration Committee during FY19 including:
 - Proposed changes to the remuneration policy;
 - Feedback from shareholder consultation on the proposed 2020 Remuneration Policy;
 - A review of senior management remuneration matters; and
 - Remuneration framework in the context of the wider colleague base.

Stakeholder engagement

- Received updates on each of the key stakeholders and considered insights.
- Reviewed the results of the FY19 People at the Core and reviewed wider colleague engagement initiatives.
- Considered role and objectives of newly formed Workforce Engagement Director.

Division of responsibilities

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.

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.

Chairman and Chief Executive Officer

The roles of the Chairman and CEO are separate and distinct and there is a clear division of responsibilities between the two roles. The overall responsibility for the management of the Group has been delegated to the CEO who is accountable to the Board. It is the role of the Chairman to lead the Board and ensure its overall effectiveness in directing the Company, whilst demonstrating objective judgement and promoting a culture of openness and debate.

Non-Executive Directors

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 skills, expertise and experience to contribute to the development of the Group as a whole. Information on the time commitment expected from each Non-Executive Director is set out on page 55.

Company Secretary

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.

Senior Independent Director

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 or Executive Directors, or indeed where such contact through the aforementioned channels is deemed inappropriate. Terms of Reference for the Senior Independent Director were approved by the Board in FY19 and are available on the Company's website.

Board evaluation

The Board understands the importance of an effective evaluation process and the Board undertakes various phases of evaluation to ensure the Board remains robust, independent and effective. Each year, the Board undertakes an annual internal evaluation, which is led by the Chairman, as well as a triennial external evaluation. During FY19, performance evaluations of the Board and individual Directors were internally facilitated and led by the Chairman, having been last externally facilitated during FY18 by the ICOSA: The Governance Institute, in accordance with Provision B.6.2. of the 2016 Code.

The FY19 Board evaluation process, which commenced in July and concluded in September, involved the following:

- Completion by each Director of a detailed questionnaire covering key aspects of Board effectiveness, including the composition of the Board, the interaction between Board members, content and conduct of Board and Committee meetings, and the performance of the Board as a whole in the year under review;
- Following a review of each of the responses to the questionnaires, the Chairman met with each Director individually to consider the Board evaluation process, the results of the questionnaire and the performance and effectiveness of both the Board and the individual Director during FY19; and
- In September 2019, the results of the FY19 Board evaluation were presented to the Board and actions for further improvement were agreed.

In addition to the above, the Senior Independent Director led the annual evaluation of the Chairman, which also included completion of a detailed questionnaire by each Director on the Chairman's performance, effectiveness and independence. The Senior Independent Director also discussed the responses to the questionnaires with each of the Directors individually and, following a discussion with the Chairman, presented the findings of the evaluation, as well as proposed areas for further development, to the Board.

Corporate Governance Report *continued*

In September 2019, each Committee undertook a review of its own effectiveness for FY19, the results of which were presented to the Board. Each Committee also carried out an annual review of its Terms of Reference and recommended any changes it considered necessary to the Board for approval.

In addition to the above, following the conclusion of the main business of the Board meetings, the Non-Executive Directors convene separately. Furthermore, at least annually, the Chairman meets with the Non-Executive Directors off site 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 44 and 45 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 62 to 99.

	FY19	FY18
Average number of Executive Directors	3	2
Average number of Non-Executive Directors	6	8

Attendance at scheduled Board and Committee meetings

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

	Board ¹	Audit Committee ¹	Nomination and Governance Committee ¹	Remuneration Committee ¹
Gary Kennedy	7/7	–	3/3	4/4
Patrick Coveney	7/7	–	–	–
Eoin Tonge	7/7	–	–	–
Peter Haden ²	2/2	–	–	–
Sly Bailey	7/7	3/3	3/3	–
Heather Ann McSharry	7/7	3/3	–	4/4
John Moloney ³	6/7	–	3/3	4/4
Kevin O'Malley ⁴	2/2	–	–	–
Helen Rose	7/7	3/3	–	–
Thomas Sampson ⁴	2/2	–	–	–
John Warren	7/7	3/3	–	–

1 The Board and each Committee held additional meetings throughout the year. Further detail of these meetings is set out in the respective Committee reports.

2 Mr Peter Haden joined the Board on 21 May 2019.

3 Mr John Moloney was unable to attend one scheduled Board meeting due to an unavoidable personal commitment. Mr Moloney received the meeting materials and discussed the business of the meetings with the Chairman.

4 Mr Kevin O'Malley and Mr Thomas Sampson retired from the Board on 29 January 2019.

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.

STRATEGIC LINKS



Growth



Relevance



Differentiation

Our stakeholders

The Board is aware that our actions and decisions impact all of our stakeholders. We seek to deliver value for all our stakeholders and the Group is committed to maintaining strong relationships with our key stakeholders, through effective engagement, ensuring a long term sustainable business model.

Stakeholder and link to strategic priorities

Our engagement

Shareholders



The Board recognises the importance of engaging with all shareholders and values its regular dialogue with shareholders. The Group prioritises effective dialogue with shareholders to ensure that we capture and embrace feedback relating to areas of interest and areas of concern, and to ensure that our obligations are met. In turn, shareholders welcome detailed communication on the growth outlook for the Group and how the Group is resourced to achieve this, including a demonstration of how it manages effective and disciplined capital allocation. The investment community is also increasingly interested and engaged in environmental, social and governance ('ESG') themes and how the Group is positioned to address these.

The Group welcomes queries via telephone, post or email and up to date contact details are available on the Group's website, www.greencore.com. The website also provides a library of all relevant shareholder communications, financial results and updates, and a history of the Company's share price.

Attendance of, and questions from, shareholders at the Company's general meetings are welcomed by the Board. The Board also encourages shareholders to make use of their votes at all general meetings. The full Board attended the Annual General Meeting ('AGM') in January 2019. Following the disposal of the US business in November 2018, shareholders were consulted in relation to the capital return. Separately, from July 2019 to October 2019, the Remuneration Committee undertook an extensive shareholder engagement in relation to the proposed 2020 Remuneration Policy. Further details are set out on pages 63 and 64.

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 shareholder, analyst and share price developments from the Head of Investor Relations. The Group runs an active investor relations programme that includes all financial announcements, presentations and regular ongoing dialogue with the investment community, apart from when the Group is in close period.

On 26 September 2019, the Group hosted a Capital Markets Day in London for institutional investors and analysts, with presentations from the CEO and other members of the senior management team.

Customers



The Group interacts with our customers on a daily basis at multiple levels. These discussions cover multiple areas such as strategic discussions, new product development, technical and supply chain, sustainability and ethics. The Board also meets with senior customer representatives from time to time.

Our customers tell us they need support to help them grow their businesses profitably and sustainably. They seek support from us in particular to differentiate their offering and help them win in the marketplace. More recently, our customers are looking for support from us in the area of sustainability, including initiatives to reduce plastic packaging and food waste. The Group has also been working with our customers to effectively plan for different Brexit scenarios.

Our stated strategy is to deepen our relevance within our customers by driving returns through a shared value chain, increasing value through our portfolio and by doing more for them.

Read more on: **Relevance in Our Strategy and Sustainability Report** (page 18 and 19, 26 to 33)

Suppliers








The Group interacts with our suppliers on a daily basis given the level of ingredients and packaging purchases we make. In particular, the Group identifies key suppliers with whom we have more strategic relationships. From time to time, we hold detailed workshops with these key suppliers to drive strategies for mutual benefit. The Board reviews our strategic supplier strategy.

Like us, our suppliers are looking at ways to grow their businesses profitably. The Group works with our suppliers on reducing cost and participating in growth opportunities with us. There is an increasing focus on sustainability with our suppliers, particularly in the areas of sustainable sourcing and working sustainably with our suppliers is a critical part of our strategy. The ethical treatment of workers in the supply chain is also an increasing area of focus.

Planning for Brexit has been a key area of focus with our suppliers this year. Additionally we have launched our Greencore Purchasing Excellence programme which, amongst other things, seeks to continually improve our partnership approach with top suppliers.

Read more on: **Relevance in Our Strategy and Sustainability Report** (page 18 and 19, 26 to 33)

Corporate Governance Report *continued*

Stakeholder and link to strategic priorities	Our engagement
Consumers 	<p>To support our customers' plans, the Group carries out a significant amount of analysis on the different food categories in which we operate, focusing on how the category is performing and the major trends in that category from a consumer and marketplace perspective. To supplement these analyses we carry out specific direct consumer research from time to time. The Board reviews the output of these analyses and research, particularly at its annual offsite strategy session.</p> <p> Read more on: Market Trends (page 8 and 9)</p>
Employees 	<p>The Group undertakes a significant number of activities throughout the year whereby we listen to our employees. The Group carries out a People at the Core survey which takes feedback on many areas of the employee experience. We also carry out many listening groups across the business. In addition, managers are encouraged to solicit feedback formally and informally. Recently the Board appointed a Workforce Engagement Director and has instituted a formalised policy on site visits for Non-Executive Directors in addition to holding scheduled meetings at sites.</p> <p>The feedback we get from our employees is detailed and is focused on the areas of management effectiveness and overall communication. Responding to all of this feedback is embedded into the Group's People at the Core plan which focuses on learning and development, talent management and regular communication.</p> <p> Read more on: Non-Financial KPIs and Sustainability Report (page 24, 25 and 26 to 33)</p>
Local communities 	<p>The Group's facilities are generally significant operations in the context of the local communities in which they are located. Colleague representatives from each site have regular dialogue with local representatives and local business groups on relevant matters. The Group also seeks to support local communities through supporting local education, food donations and charitable giving.</p> <p>The Board reviews our local communities plan as part of our overall sustainability strategy. See pages 27 to 29.</p>

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 Extraordinary General Meeting ('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 a 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.

Risk management and internal control

The Board is responsible for the Group's system of internal control and risk management. The Board reviews the effectiveness of the system and ensures 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 key risks facing the Group include strategic risks, commercial risks, operational risks, people 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 38 to 43 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 and functional management teams drive the process through which principal risks and uncertainties are identified. The Board understands that the individual business unit and functional management teams are in the best position to identify the principal significant and emerging risks and uncertainties associated with their respective areas of business. Risks identified and associated mitigating controls are subject to review by the Board and the Audit Committee on a regular basis.

The process for identifying, evaluating and managing the significant risks has been in place throughout the financial year. Up to the date of the approval of the Annual Report and Financial Statements it 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. On a regular basis, the risks faced by the Group are reviewed with management and also the Audit Committee. 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 in managing related risks; and
- The Group's risk culture.

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 principal risks facing the Group; (b) the design, operation and monitoring by management of internal control systems; (c) the accuracy and frequency of reports from management to the Board and whether the reports give a balanced assessment of the principal risks and the effectiveness of the system of internal control in managing those risks; (d) the going concern and viability statements; and (e) the Group Treasury policy.

The key elements of the Group's 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, capital expenditure 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 independently reviews key business processes and controls and their effectiveness; and
- The Audit Committee which approves audit plans, monitors performance against 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 business unit has a Finance Director who is responsible for information which accords with agreed policies. The Group seeks to continually test and improve its internal control environment.

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 92 to 96. Details of the Group's hedging and financial risk management policies are set out in Note 23 and 24, to the Group Financial Statements respectively. Details of the Group's financial key performance indicators ('KPIs') are set out on pages 22 and 23. These disclosures form part of this report.

In FY19, the financial information for each business unit was subject to a review at reporting entity and Group level by the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer along with the senior team. The Annual Report and Financial Statements are reviewed by the Audit Committee in advance of presentation to the Board for approval.

During the year under review, senior management 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.

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



Report on Directors' Remuneration

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.

Heather Ann McSharry

Dear Shareholder,

On behalf of my colleagues on the Remuneration Committee (the 'Committee') and the Board, I am pleased to present the Report on Directors' Remuneration for the financial year ended 27 September 2019 ('FY19') and the proposed 2020 Remuneration Policy ('2020 Remuneration Policy').

FY19 was another active year for the Committee. Following the disposal of the US business and the associated return of capital to shareholders in early FY19, we conducted a comprehensive review of the performance measures, weightings and targets under both the long term and short term incentive plans. This review was a key part of our considerations relating to our revised 2020 Remuneration Policy, further details of which are set out below.

2020 Remuneration Policy

The Annual General Meeting ('AGM') in January 2020 marks the third anniversary of the adoption of the current remuneration policy, and we will be submitting the proposed 2020 Remuneration Policy to shareholders for an advisory resolution at the AGM in 2020. The Committee spent much of its time during FY19 reviewing the existing remuneration framework to ensure it remains appropriate for Greencore over the coming years. As detailed in the Strategic Report, our business continued to evolve over FY19, and we entered FY20 with a clear set of strategic objectives which are to drive growth in an expanding food to go market, to deepen customer relevance and to adopt a distinctive and repeatable Greencore Way of working.

Despite this shift in focus, our core remuneration principles remain unchanged, and centre on:

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

The Committee has also monitored the significant developments in the external landscape since our remuneration policy was last approved in 2017, driven in the main by revisions to the 2018 UK Corporate Governance Code (the '2018 Code') which applies to Greencore from FY20.

Many of the themes and principles underpinning the 2018 Code are already incorporated into Greencore's corporate governance and remuneration frameworks. However, the timely review of the current remuneration policy ahead of the 2020 AGM has given us the opportunity to review, adjust and reconfirm our approach in light of evolving market and best practice.

The conclusion of the Committee's review was that our remuneration structure generally remained fit-for-purpose, particularly following the implementation of a number of changes to our current remuneration policy following the AGM in 2017, including:

- The introduction, with effect from FY18, of malus and clawback provisions to both the Performance Share Plan ('PSP') and the Annual Bonus Plan ('ABP') during the vesting period and for two years post-vesting;
- The introduction of Total Shareholder Return ('TSR') as an additional measure for our long term PSP awards, to further augment alignment with shareholders and diversify the measures used under the PSP; and
- The increase in shareholding guidelines, such that all Executive Directors must attain a shareholding of 200% of salary within five years of appointment to the Board.

Following the aforementioned changes, as well as continuous shareholder engagement, the Committee was pleased with the high level of support for the FY18 Annual Report on Remuneration at the AGM in 2019, which received over 90% support. Notwithstanding the above, the Committee believes that certain amendments should be introduced to the 2020 Remuneration Policy to reflect our evolving strategy and shareholder expectations.

The main proposed changes contained within the 2020 Remuneration Policy are as follows:

1. **Aligning pension contributions for all newly appointed Executive Directors with pension contributions available to the wider colleague base** – the Committee supports the principle of reducing, over time, the disparity in pension contributions between Executive Directors and the wider colleague base. This policy has already been adopted in relation to the appointment to the Board of the Chief Operating Officer ('COO'), Peter Haden, whose pension contribution, upon appointment to the Board in May 2019, was set at 8% of salary, which is in line with the pension contribution level currently available to the wider colleague base. In line with the 2018 Code, only basic salary will be pensionable;
2. **Capping incumbent Executive Director pension contribution levels** – with effect from FY20, the Chief Executive Officer ('CEO'), Patrick Coveney and the Chief Financial Officer ('CFO'), Eoin Tonge have agreed a voluntary cap on their future annual pension contributions to FY19 levels (of €315,000 and £105,000, respectively). Notwithstanding the supportive feedback received from a number of shareholders on this proposal, the Committee is mindful of the strong and evolving views of some shareholders in this area. We will keep our approach to incumbent Executive Director pensions under review in light of developing market practice and shareholder expectations, whilst remaining highly cognisant of the contractual constraints in this regard; and
3. **Introducing a post-employment shareholding policy** – with effect from 2020, Executive Directors will be expected, in normal circumstances, to maintain a post-employment shareholding of Greencore shares at a level equal to the lower of the in-post shareholding guideline or the individual's actual shareholding for a period of two years.

Changes to measures in the Annual Bonus Plan ('ABP') – In addition to the above, the Committee proposes changes to the implementation of the 2020 Remuneration Policy in respect of the ABP. Specifically, it is proposed that Adjusted Earnings Per Share ('EPS') and Return on Invested Capital ('ROIC') are replaced with Adjusted Operating Profit and Free Cash Flow. Adjusted Operating Profit and Free Cash Flow are both Group Key Performance Indicators ('KPIs') and introducing these into the ABP will generate differentiation between the measures used for our long term and short term incentive plans, and create more direct alignment between incentives and the delivery of the Group's strategy.

Shareholder engagement

The Committee is very cognisant of the need to ensure that Executive Directors and shareholders' interests are aligned and therefore, we consulted shareholders with a total holding of close to 70% of our issued share capital, as well as proxy advisors, on our initial proposals. Shareholder engagement in respect of the proposed 2020 Remuneration Policy was valuable with support evident for the strategic ambition and direction of the Company. While the feedback varied by investor, there was broad acceptance that the proposed 2020 Remuneration Policy was aligned with our strategic imperatives. Discussions held with shareholders focused on:

- The introduction of, and rationale for, the proposed new ABP measures of Adjusted Operating Profit and Free Cash Flow. During consultation, certain shareholders sought to understand the operation of the proposed measures and weightings in further detail. The Committee will ensure that a clear emphasis is placed on the disclosure of the performance underlying any payouts in the year of payment under all measures;
- The introduction of pension contributions for newly appointed Executive Directors in line with the contribution available to the wider colleague base, as implemented during FY19;
- The proposal to cap the pension contributions for the incumbent CEO and the CFO at FY19 contribution levels. Certain shareholders advised that the proposals signified positive steps towards addressing the disparity between the Executive Directors' pensions and the pension contribution levels available to colleagues. Shareholders also sought clarity on the contractual restraints facing the Committee in terms of reducing contributions for incumbents. Overall, there was an acknowledgement of the importance of ensuring stability at a key juncture for the strategic development of the Group; and

Report on Directors' Remuneration continued

- The potential introduction of a post-employment shareholding policy for Executive Directors. In our initial proposals, the Committee had proposed not to include a formal post-employment shareholding policy, as the strength of existing deferral arrangements and the nature of leaver provisions dictated that Executive Directors would be required to hold shares after departure. During engagement, however, it became clear to the Committee that a number of shareholders expected the adoption of a post-employment shareholding guideline in line with the 2018 Code. As outlined, the Committee revised the proposed 2020 Remuneration Policy to include a formal post-employment shareholding policy with effect from January 2020.

The programme of engagement with shareholders and proxy advisors has provided valuable insights and important learnings for the Committee. The feedback received has been helpful in determining the remuneration structure and in building understanding on how best to communicate the decisions of the Committee. Our shareholder base is multi-jurisdictional and many of our shareholders have their own individual guidelines and policies as well as differing views on appropriate levels of remuneration and how best to incentivise management. While it is not always possible to reconcile views, which are sometimes diverging, we have taken all shareholder inputs into account and sought to reflect the balance of these views when applying appropriate judgement.

The engagement exercise also provided us with the opportunity to understand the wider priorities for each shareholder we engaged with. The importance of the Committee promoting the long term success of the Group in its remuneration decisions was a recurring message. Outside of discussions on the specific proposals, it was clear that environmental, social and governance ('ESG') matters are at the forefront of shareholders' agendas and, more specifically, how quantitative ESG related measures could be introduced to the remuneration framework. In this regard, this year the Committee reviewed the outcome of both the Group's financial and non-financial Key Performance Indicators ('KPIs'), as set out on pages 22 to 25, when considering the outcome of the Executive Directors' personal and strategic objectives element of the ABP. Furthermore, the Group is currently progressing its sustainability agenda (see pages 26 to 33), and the Committee will continue to consider how ESG measures might be incorporated in incentives in the future.

FY19 business performance and remuneration

Following the disposal of the US business in November 2018, the Group fully reset its capital structure as well as its strategic and financial objectives. In January 2019, the Group returned £509m of capital to shareholders in the form of a tender offer and now has a clear set of strategic objectives which are underpinned by an economic model of disciplined growth and investment, driving shareholder value. In FY19, the Group delivered modest growth in proforma revenue and operating profit with a solid performance in Adjusted EPS growth and a strong improvement in Free Cash Flow Conversion on an underlying basis.

The FY19 incentive outcomes reflect another year of efficient growth for the Group, as well as contributions from the individual Executive Directors. The Executive Directors each received payouts under the ABP of 35% of maximum. The payouts were driven by strong ROIC performance as well as strong individual Executive Director contributions in terms of wider strategic and personal objectives. There was no payout under the Adjusted EPS measure.

In addition, PSP awards granted in early 2017 will vest in early 2020 at 50% of maximum, based on the achievement, in full, of the ROIC performance condition. There was no payout under the Adjusted EPS measure. The Committee reviewed the Group's performance in the round and determined that the formulaic outcomes of both incentive plans are fully aligned with underlying performance and a fair reflection of the shareholder experience over both performance periods. Further details of performance targets and actual outturns are set out on page 67.

During FY19, and in particular in advance of the granting of awards under the PSP in February 2019, the Committee spent a significant amount of time considering both the performance measures and associated targets in light of the significant change to our portfolio and the evolution of strategy. While PSP awards are generally granted in December, as detailed in last year's Report on Directors' Remuneration, the Committee determined it was appropriate to defer the granting of FY19 awards to the CEO and CFO until the process around the sale of the US business and the return of capital to shareholders had concluded. The awards were granted in February 2019 and details of the awards and the associated targets were detailed in an announcement, released via a Regulatory News Service on 8 February 2019 and are set out on page 85. In light of the disposal of the US business, following a detailed review the peer group that relates to the relative TSR element of PSP awards was altered in respect of the FY19 PSP grant of awards.

Remuneration in FY20

Following a review during November 2019, the Committee approved salary increases of 1.25% and 2.5% for the CEO and CFO respectively. The increase for the CEO is below the 2% increase received by the wider colleague base. The increase for the CFO is slightly ahead of the increase awarded to the wider colleague base, and reflects the additional responsibilities taken on during FY19.

As outlined above, from FY20 the ABP performance measures will be updated to reflect our evolving business model. Adjusted EPS and ROIC will be replaced with Adjusted Operating Profit (weighted 50% of the bonus) and Free Cash Flow (weighted 25% of the bonus) respectively, with the remainder (weighted 25% of the bonus) subject to the achievement of personal and strategic measures. Both Adjusted Operating Profit and Free Cash Flow are KPIs for Greencore and introducing these into the ABP will create more direct alignment between incentives and performance against the delivery of the Group's strategy. Adjusted Operating Profit measures the underlying and ongoing operating performance of each business unit and of the Group as a whole, whilst Free Cash Flow measures the amount of cash available for distribution and allocation.

Under the PSP, awards will be made in late 2019 equivalent to 200% of salary to the CEO and 150% of salary to the CFO. The performance measures and targets remain unchanged from FY19 and are detailed on page 87.

As set out in the Chairman's Statement on page 11, Peter Haden will step down from his role as Executive Director on 31 December 2019, and will leave the Group in April 2020. Therefore he will not receive any salary increase or awards under the PSP for FY20. Further details are set out on page 86.

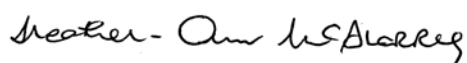
Executive remuneration reforms

In addition to guidance on Executive Director pensions and post-employment shareholding, the 2018 Code also sets out a clear expectation that the remit of the Committee should be extended to include the review of wider employee remuneration and related policies. Given the importance of all colleagues to our business, ensuring that pay arrangements are equitable and motivational across the organisation has always been a cornerstone of Greencore's approach to remuneration, and the Committee will continue to consider wider colleague remuneration as part of its annual agenda.

The Committee also welcomes the focus on discretion under the 2018 Code. Our incentive plans provide the Committee with the ability to override formulaic outcomes in the event that they do not reflect individual or underlying company performance. The Committee considers this discretion a fundamental aspect of its role in overseeing the operation of the incentive framework.

Once again, I would like to thank shareholders and proxy advisors for providing both their time and input during the year, and also thank my fellow members on the Committee and the wider Board for their valuable contribution to the remuneration agenda during FY19.

I hope our efforts to enhance our incentive framework and reporting over the past three years will be reflected in your support at the 2020 AGM, where I will, as always, be available to respond to any questions shareholders may have on the Report on Directors' Remuneration or in relation to the Committee's activities. I also remain available to meet and discuss our remuneration arrangements with shareholders outside of the AGM and I look forward to continuing to engage with shareholders on all future remuneration matters.



Heather Ann McSharry

On behalf of the Remuneration Committee
25 November 2019

Remuneration at a glance

THIS SECTION PROVIDES A SNAPSHOT OF THE GROUP'S PERFORMANCE OVER FY19 AS WELL AS THE REMUNERATION RECEIVED BY OUR EXECUTIVE DIRECTORS. FULL DETAILS CAN BE FOUND IN THE ANNUAL REPORT ON REMUNERATION ON PAGES 79 TO 91.

THE COMPANY IS SUBMITTING A REVISED REMUNERATION POLICY ('2020 REMUNERATION POLICY') FOR AN ADVISORY SHAREHOLDER VOTE AT THE ANNUAL GENERAL MEETING ('AGM') OF THE COMPANY TO BE HELD ON 28 JANUARY 2020. IF APPROVED, THE 2020 REMUNERATION POLICY WILL TAKE EFFECT FROM THE DATE OF THE AGM. THE 2020 REMUNERATION POLICY IS SET OUT ON PAGES 69 TO 78.

AS SET OUT ON PAGE 48, THE COMPANY 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 Committee applies the following overarching remuneration principles to 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.



Transparency and simplicity

Designing a simple remuneration structure, and clearly communicating remuneration decisions to shareholders.

It is in the context of the above principles that the 2020 Remuneration Policy has been developed, and the remuneration outcomes for FY19 and the implementation of the 2020 Remuneration Policy for FY20 have been determined.

FY19 Remuneration outcomes

Annual bonus

The maximum annual bonus potential of 150% of basic salary for Executive Directors was based on a mix of financial (weighted 75% of the bonus) and personal and strategic (weighted 25% of the bonus) performance measures for FY19.

The performance targets and actual performance outcomes are set out in the table below. The ROIC figure has been adjusted (from 14.4%) to exclude the impact of the acquisition of Freshtime. The Committee considered this adjustment appropriate in the context of assessing the achievement of the performance targets (which did not include Freshtime) and the timing of the acquisition (3 September 2019). The impact of adjusting Adjusted EPS on the same basis is minimal and does not impact the outcome of this element of the annual bonus.

Measure	Weighting (% of total)	Performance targets		Actual FY19 outturn/achievement	Resulting bonus outcome
		Target (50% payout)	Stretch (100% payout)		
Adjusted EPS	50%	16.1p	17.2p	16.0p	0% out of 50%
ROIC	25%	14.4%	15.4%	15.0%	20% out of 25%
Financial element	75%				20% out of 75%
Personal and strategic objectives	25%	Patrick Coveney: <ul style="list-style-type: none">• Capital return and restructuring• Effective leadership of the organisation through a period of change• Customer engagement			15% out of 25%
		Eoin Tonge: <ul style="list-style-type: none">• Capital management• Stakeholder relations and sustainability• Cash management and cost reduction• Driving growth			15% out of 25%
		Peter Haden: <ul style="list-style-type: none">• Driving operational enhancements• Developing employee engagement mechanisms• Driving UK organisational change			15% out of 25%
Personal and strategic element	25%				15% out of 25%
Total	100%				35% out of 100%

Patrick Coveney, Eoin Tonge and Peter Haden each received 35% of the maximum bonus, which represents 52.5% of salary, respectively. In line with our remuneration policy, the bonus outcome for Patrick Coveney and Eoin Tonge will be paid 50% in cash and 50% in shares deferred for three years, subject to continued employment. Peter Haden will step down from the Board on 31 December 2019 and details of his arrangements are set out on page 86.

FY17 PSP award

The Performance Share Plan ('PSP') values in respect of the FY19 single figure relate to awards granted in early 2017. Awards were subject to Adjusted EPS growth and ROIC performance targets measured over the period from the start of FY17 to the end of FY19, with FY16 as the base year. Target and actual outturns are set out in the table below. 50% of awards granted will vest in early 2020.

The reported FY19 ROIC figure has been adjusted (from 14.4%) to exclude the impact of the acquisition of Freshtime. The Committee considered this adjustment appropriate in the context of assessing the achievement of the performance targets (which did not include Freshtime) and the timing of the acquisition (3 September 2019). The impact of adjusting Adjusted EPS on the same basis is minimal and does not impact the outcome of this element of the PSP.

Measure	Weighting (% of award)	Performance targets	Actual FY19 outturn	Vesting (% of award)
Adjusted EPS growth	50%	5% to 15% p.a.	0% p.a.	0%
FY19 ROIC	50%	12.5% to 15%	15%	50%
Total				50%

Report on Directors' Remuneration continued

Remuneration at a glance continued

Implementation of the 2020 Remuneration Policy in FY20

Element of pay	Implementation for FY20
Fixed remuneration	
Base salary	Patrick Coveney received a 1.25% salary increase effective from 1 October 2019. His FY20 salary is €850,705. Eoin Tonge received a 2.5% increase effective from 1 October 2019. His FY20 salary is £428,655. Peter Haden did not receive any increase for FY20. His salary remains at £450,000.
Pension	<p>Per the terms of his contract, Patrick Coveney receives a taxable non-pensionable cash allowance in lieu of participation in a defined contribution pension scheme. Eoin Tonge and Peter Haden participate in the Greencore UK Master Trust Pension Scheme which is a defined contribution pension scheme and each receive a taxable non-pensionable cash allowance.</p> <p>For FY20, Patrick Coveney and Eoin Tonge have agreed a voluntary cap on their future annual pension contributions at FY19 levels (of €315,000 and £105,000, respectively). These figures represent 35% of FY19 pensionable earnings for Patrick Coveney and 25% of salary for Eoin Tonge. There will be no change to Peter Haden's current pension contribution of 8% of salary for FY20 which is in line with the pension contribution currently available to our wider colleague base.</p>
Benefits	No change to FY19 provisions.
Variable pay	
Annual Bonus Plan ('ABP') and Deferred Bonus Plan ('DBP')	<p>No change to maximum opportunity: 150% of salary.</p> <p>The performance measures have been revised for FY20: 50% Adjusted Operating Profit, 25% Free Cash Flow, and 25% personal and strategic objectives.</p> <p>50% of bonus earned will be deferred in shares for three years under the DBP.</p>
Performance Share Plan ('PSP')	<p>No change to award opportunities: 200% of salary for Patrick Coveney and 150% of salary for Eoin Tonge. As set out on page 86, Peter Haden will not receive any PSP awards in FY20.</p> <p>The performance measures and weightings unchanged: ⅓rd Adjusted EPS growth, ⅓rd ROIC, and ⅓rd relative TSR vs. bespoke group of sector peers.</p> <p>PSP awards granted to Executive Directors 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.</p>
Safeguards and risk management	Malus and clawback provisions apply to the ABP 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).

Pay-performance alignment

Overview of performance measures for FY20 incentives and how these relate to our strategic priorities.

Performance measure	Incentive plan	Reason for selection	Link to strategy
Adjusted EPS ¹	PSP	Captures long term growth and improves financial returns by leveraging operational efficiency	
ROIC ¹	PSP	Improves capital discipline and efficiency	
Relative TSR	PSP	Provides alignment with shareholder value creation	
Adjusted Operating Profit ¹	ABP	Incentivises strong underlying and ongoing operating performance of each business unit and the Group as a whole	
Free Cash Flow ¹	ABP	Measures the amount of cash available for distribution and allocation	
Personal and strategic objectives	ABP	<p>Aligned with short and medium-term strategic objectives to promote long term performance and success</p> <p> Read more in the KPIs section (pages 22 to 25)</p>	




1. Each of the financial performance measures are Key Performance Indicators ('KPIs') as set out on pages 22 and 23. The KPIs are non-IFRS measures, referred to as Alternative Performance Measures ('APMs'), and are used to monitor the performance of the Group's operations and the Group as a whole. APM definitions and reconciliations to IFRS measures are provided in the APMs section on pages 180 to 184.

2020 Remuneration Policy

The Directors' Remuneration Policy (the '2020 Remuneration Policy') set out below will be put to an advisory shareholder vote and subject to shareholder approval, will become effective from the date of the AGM in 2020. The main aim of the 2020 Remuneration Policy is to align the interests of Executive Directors with the Group's strategic priorities and the long term creation of shareholder value. The 2020 Remuneration Policy is intended to pay the Executive Directors competitively and appropriately, having taken into account a number of other factors, including the remuneration practices of other companies of similar size and scope, the current economic climate and the regulatory and governance framework. The Remuneration Committee (the 'Committee') also takes into consideration remuneration practices throughout the Group when considering Executive Directors' pay and ensures that the Group pays its Executive Directors no more than is necessary.

Remuneration principles

The following principles have been adopted as a framework to guide our remuneration decisions:

Remuneration principle	In action
 <p>Alignment and fairness</p>	<ul style="list-style-type: none"> • Encouraging all employees to become shareholders; • Operating a Performance Share Plan ('PSP') for senior management personnel; • Offering share plans to all eligible colleagues; • Operating shareholding guidelines including a post-employment shareholding policy from 2020, bonus deferral and a post-vesting holding period for Executive Directors' PSP awards; and; • Keeping shareholder value in sharp focus.
 <p>Pay-for-performance</p>	<ul style="list-style-type: none"> • Commitment to ensuring targets are appropriately stretching and vesting levels are reflective of shareholder experience; • No variable remuneration for mediocre performance; and • Ensuring personal and strategic objectives are accurately assessed and clearly communicated.
 <p>Transparency and simplicity</p>	<ul style="list-style-type: none"> • Increased focus on effectively communicating decisions to shareholders through shareholder engagement and the Annual Report and Financial Statements; and • Simple incentive structure based on the measures central to our strategy and business model.

Executive Directors' Remuneration Policy table

The table below sets out the element and purpose of Executive Directors' compensation and how each element operates, as well as the maximum opportunity of each element and any applicable performance measures.

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	To provide the basis of a market-competitive overall remuneration package.	<p>Base salaries are determined taking into account a number of factors, including:</p> <ul style="list-style-type: none"> • individual responsibilities, performance and experience; • the role, skills and contribution of individuals; • practice at other companies of a similar size and complexity; • the pay arrangements throughout the organisation; and • the Company's progress towards its objectives. <p>Salaries are usually reviewed during November and any increases will normally be effective from the preceding 1 October. However, the Committee reserves the right to make salary increases effective from any other time where considered appropriate.</p>	<p>Whilst there is no maximum salary, increases will normally be in line with the average increase awarded to other colleagues in the Group.</p> <p>However, the Committee retains the discretion to make increases above this level in certain circumstances, including, but not limited to:</p> <ul style="list-style-type: none"> • an increase in scope and/or responsibility of a role; • a new Executive Director being moved to market-competitive positioning over time; and • an existing Executive Director falling below market positioning. 	Not applicable.

Report on Directors' Remuneration continued

2020 Remuneration Policy continued

Executive Directors' Remuneration Policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pension	To provide competitive and appropriate retirement plans.	<p>The Chief Executive Officer ('CEO') receives a taxable non-pensionable cash allowance in lieu of participation in a Defined Contribution Pension Scheme.</p> <p>The Chief Financial Officer ('CFO') and the Chief Operating Officer ('COO') participate in part in the Greencore UK Master Trust Pension Scheme which is a Defined Contribution Pension Scheme and receive a partial non-pensionable cash allowance.</p> <p>When determining pension arrangements for new appointments to the Board, the Committee will give regard to the cost of the arrangements and market practice and will set the pension contribution rate to be in line with the pension contributions available to the wider colleague base at that time.</p>	<p>The Company's maximum contribution/cash allowance for existing Executive Directors is as follows:</p> <ul style="list-style-type: none"> • CEO – monetary value capped at €315,000, representing 35% of FY19 pensionable earnings (the total of salary and benefits); • CFO – monetary value capped at £105,000, representing 25% of FY19 salary; and • COO – 8% of salary in line with the pension contribution currently available to the wider colleague base. <p>For new appointments to the Board the Committee will set a pension contribution rate which is in line with the pension contributions available to the wider colleague base at that time.</p>	Not applicable.
Benefits	To provide market typical benefits to ensure that the overall remuneration package is competitive.	<p>Executive Directors receive health insurance for the individual and their immediate family, life assurance and permanent health insurance, and a car allowance (or a company car and payment of related expenses).</p> <p>Other benefits may be provided at the discretion of the Committee based on individual circumstances and business requirements, such as appropriate relocation and expatriate allowances and support.</p>	<p>The cost of benefit provision will depend on the cost to the Company of providing individual items and the individual's circumstances and therefore there is no maximum value.</p>	Not applicable.

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual Bonus Plan ('ABP')	<p>To incentivise and reward the achievement of annual financial and non-financial targets, in line with the Company's strategic objectives.</p> <p>The deferred element aligns the interests of Executive Directors and shareholders and provides a strong retention mechanism.</p>	<p>Performance is assessed over the relevant financial year.</p> <p>The level of payment is determined by the Committee after the year-end, based on performance against targets and any additional factors they deem significant.</p> <p>A proportion (normally 50% unless the Committee determines otherwise) of any bonus is paid in cash, with the remainder deferred into a share award under the Deferred Bonus Plan. Cash bonuses are paid following the year-end.</p> <p>Deferred Bonus Plan ('DBP')</p> <p>The deferred shares will normally vest three years after the grant of an award (unless the Committee determines an alternative vesting period is appropriate). The vesting of deferred shares will normally be subject to continued employment.</p> <p>Dividend equivalents may be awarded in respect of the awards that vest.</p> <p>The annual bonus is subject to malus and clawback provisions, i.e. forfeiture or reduction of the deferred portion or recovery of paid amounts, in exceptional circumstances. Such circumstances include, but are not limited to 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 to any member or business unit of the Group.</p>	<p>The maximum annual bonus opportunity is 150% of salary.</p> <p>The bonus earned at threshold performance is nil with up to 50% of the award normally payable for target performance. 100% of the award is payable for maximum performance.</p>	<p>The bonus is determined based on performance against financial performance metrics and personal and strategic objectives.</p> <p>Measures and weightings will be determined at the start of each performance year to align with the Group's short term financial and strategic priorities. No more than 25% of the annual bonus opportunity will be based on personal and strategic objectives.</p> <p>The Committee sets targets every year to ensure that they are appropriately stretching.</p> <p>For FY20, the performance metrics will be Adjusted Operating Profit (50% weighting), Free Cash Flow (25% weighting) and personal and strategic objectives (25% weighting). The Committee has the discretion to adjust the measures and weightings before each cycle to ensure that they continue to reflect strategic objectives. Further details are provided in the Annual Report on Remuneration.</p>

Report on Directors' Remuneration continued

2020 Remuneration Policy continued

Executive Directors' Remuneration Policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan ('PSP')	<p>To create alignment between the interests of Executive Directors and shareholders through the delivery of rewards in Company shares.</p> <p>To incentivise Executive Directors to deliver long term shareholder value creation and the achievement of financial targets.</p>	<p>Awards of conditional shares, nil-cost options, or forfeitable shares are made annually, with vesting dependent on the achievement of performance conditions.</p> <p>Awards normally vest based on performance measured over a period of three years or such other period as the Committee may determine.</p> <p>The Committee determines the extent to which the performance measures have been met. In adjudicating the final vesting outcome, the Committee will also consider the underlying financial performance of the business, as well as the value added to shareholders. The formulaic vesting outcome may be adjusted where, in the Committee's opinion, an adjustment is warranted.</p> <p>An additional two year holding period applies to Executive Directors' vested shares before they are released to Executive Directors on the fifth anniversary of the grant date (or another date determined by the Committee).</p> <p>In respect of vested PSP awards that are still subject to a holding period, awards will normally be released at the end of the holding period, however, the Committee has discretion to determine otherwise, taking into account the circumstances at the time.</p> <p>Dividend equivalents may be awarded in respect of the awards that vest.</p> <p>PSP awards are subject to malus and clawback, i.e. forfeiture of reduction of unvested awards, application of additional conditions for vesting, or recovery of vested awards, in exceptional circumstances. Such circumstances include, but are not limited to, 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 to any member or business unit of the Group.</p>	<p>The maximum annual award level is 200% of salary.</p> <p>For threshold levels of performance, up to 25% of the award vests, increasing to 100% of the award for maximum performance. There is straight-line vesting between these points.</p>	<p>Performance measures are selected to align with the Group's longer term strategy.</p> <p>The Committee determines targets each year to ensure that they are appropriately stretching and represent value creation for shareholders, whilst remaining motivational for management.</p> <p>For FY20, the performance metrics are Adjusted Earnings per Share (Adjusted 'EPS'), Return on Invested Capital ('ROIC') and relative Total Shareholder Return ('TSR'), weighted equally, although the Committee has the discretion to adjust the measures and weightings before each cycle to ensure that they continue to reflect strategic priorities. Further details are provided in the Annual Report on Remuneration.</p>
ShareSave Scheme	To encourage eligible employees to save in order to buy shares in Greencore.	Participants may elect to contribute from their net pay to a three year savings contract. Options are then granted under the savings contract at a discount to the market price at the time of invitation over three years savings contract. The discount is currently set at 20% in the UK or 25% in Ireland of the market price at the time of invitation over three year savings contracts, and options are exercisable during the six-month period following completion of the savings contract.	The maximum a participant can save in the ShareSave Scheme is currently £18,000 or €18,000 over the term of the savings contract. However, this may vary depending on changes to tax legislation and/or revenue rules.	Not applicable.

Executive Director shareholding guidelines and policy

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place whereby all Executive Directors are required, under normal circumstances, to acquire a holding of shares in the Company equal to 200% of salary, typically over a five year period commencing on the date of their appointment to the Board. Details of the Executive Directors' current shareholdings are provided in the Annual Report on Remuneration.

With effect from 2020, Executive Directors will also be subject to a post-employment shareholding policy. Executive Directors will normally be expected to maintain a holding of Greencore shares at a level equal to the lower of the in-post shareholding guideline or the individual's actual shareholding for a period of two years from the date the individual ceases to be a Director. The specific application of this shareholding policy will be at the Committee's discretion.

Payments from previously agreed remuneration arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office (including the exercise of any discretion available to it in connection with such payments), notwithstanding that they may not be in line with the 2020 Remuneration Policy where the terms of the payment were agreed either before the 2020 Remuneration Policy came into effect or at a time when the relevant individual was not a Director of the Company and in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. This does not apply to pension contributions for new appointments to the Board, which will be aligned with the pension contribution currently available to the wider colleague base, on appointment to the Board. Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Discretion

The Committee may make minor amendments to the 2020 Remuneration Policy (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

The Committee has discretion to adjust the formulaic ABP and PSP vesting outcomes to ensure alignment of pay with performance, i.e. to ensure the final outcome is a fair and true reflection of underlying business performance. The Committee also has discretion to vary the ABP and PSP performance measures and weightings each year to reflect strategic priorities.

Awards granted under the ABP and the PSP:

- may be settled in cash;
- may incorporate the right to receive in cash or shares the value of dividends which would have been paid or allotted on the shares between grant and vesting. This may assume the reinvestment of those dividends in the Company's shares on a cumulative basis; and
- may be adjusted in the event of a variation of the Company's share capital or a demerger, delisting, special dividend, rights issue or other event, which may, in the Committee's opinion, affect the current or future value of awards. The Committee may amend or substitute performance conditions applicable to an outstanding PSP award if an event (or events) occurs which causes the Committee to consider that an amended or substituted performance condition would be more appropriate and would not be materially less difficult to satisfy than was originally intended.

Selection of performance measures

The ABP is based on financial performance, as well as personal and strategic objectives. It is intended that the financial element for FY20 and going forward will be based on Adjusted Operating Profit and Free Cash Flow. Adjusted Operating Profit and Free Cash Flow are both Group Key Performance Indicators ('KPIs') and introducing these into the ABP will generate differentiation between the measures used for the long term and short term incentive plans, and create more direct alignment between incentives and delivery of the Group's strategy. The achievement of key personal and strategic objectives is also considered important to drive the performance of the business over the longer term.

The PSP is currently based on Adjusted EPS, ROIC and relative TSR. The earnings measure incentivises Executive Directors to grow earnings for shareholders over the long term, whilst the return measure ensures that the growth is sustainable and in the long term interests of the Company and its shareholders. Relative TSR provides additional shareholder alignment and incentivises our outperformance against companies in our sector.

The mix of annual and long term measures is discussed in further detail in the Annual Report on Remuneration. Targets are set taking into account a number of factors including internal and external forecasts, and market practice.

The Committee keeps the performance measures, weightings and targets of both the ABP and PSP under review and reserves the right to adjust these if they are no longer considered to be appropriate.

Report on Directors' Remuneration continued

2020 Remuneration Policy continued

Remuneration arrangements throughout the Group

Remuneration arrangements throughout the Group are based on the same high-level remuneration principles as for the Executive Directors. We believe that individuals should be rewarded based on their contribution to the Group and the success of the Group, and that reward should be competitive in the market, without paying more than is necessary to recruit and retain individuals. Specific packages will differ, taking into account the role, location, seniority and level of responsibility.

Senior management personnel participate in the ABP and the PSP based on broadly the same principles as those for the Executive Directors.

In addition, eligible employees are entitled to join the Group's ShareSave Schemes, which provide a means of saving and gives employees the opportunity to become shareholders in the Company.

Non-Executive Directors' remuneration policy

The remuneration policy for the Non-Executive Directors, including the Chairman, is to pay fees necessary to attract Non-Executive Directors of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role, without paying more than is appropriate.

Details are set out in the table below:

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees	To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid for the role of the Chairman, the Senior Independent Director or Chair of a Board Committee, to take into account the additional responsibilities and workload required. If a Non-Executive Director is a Chair of more than one Committee, the additional fee is capped at the higher Committee fee. If a Non-Executive Director is also the Senior Independent Director, the fee is capped at the additional Senior Independent Director fee. Additional fees may also be paid for other Board responsibilities or roles if this is considered appropriate. Fees are reviewed at appropriate intervals and are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-Executive Director and fees at other companies of a similar size and complexity. Fees are normally paid in cash.	The maximum annual aggregate basic fee for all Non-Executive Directors is currently €850,000, but, subject to shareholder approval, as required under the Company's Articles of Association, this figure may increase or decrease.	Not applicable.
Incentive arrangements		None of the Non-Executive Directors are eligible to participate in any of the Group's incentive arrangements.	Not applicable.	Not applicable.
Benefits		Non-Executive Directors do not currently receive any benefits; however, benefits may be provided in the future if, in the view of the Board, this is considered appropriate. Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed. The Company may settle any tax due on benefits or taxable expenses.	Not applicable.	Not applicable.

Remuneration policy for new hires

The Group is committed to ensuring appropriate succession plans are in place, specifically in respect of Executive Directors and other senior management. When considering the remuneration package of a potential new Executive Director, the Committee would seek to apply the following principles:

- The Committee will ensure that the package is sufficient to attract the appropriate individual, having regard to the calibre, skills and experience required, whilst being cognisant of not paying more than is necessary.
- The Committee's policy is to set the remuneration package for a new Executive Director in accordance with the approved remuneration policy at the time of the appointment, both in terms of structure and overall limit on variable pay (being 350% of salary).
- In addition, where an individual forfeits outstanding incentive payments and/or contractual rights at a previous employer as a result of their appointment at the Group, the Committee may offer additional compensatory payments or awards ('buy-out') in such form as it considers appropriate. In doing so, it will take into account all relevant factors including the form of awards, expected value and vesting time frame of forfeited opportunities. When determining such buy-out arrangements, the Committee's intention would be that awards would generally be made on a 'like for like' basis as those forfeited. In order to facilitate any such buy-out awards, the Committee may exercise the discretion available under the Listing Rules to grant awards under an alternative structure to those set out in the policy without seeking prior shareholder approval.
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable assistance with relocation in line with local market norms.
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions (with the exception of pension entitlements) and any outstanding incentive awards will normally be honoured.
- The remuneration package for a newly appointed Non-Executive Director will normally be in line with the structure set out in the Non-Executive Directors' remuneration policy table above.

Executive Director service contracts and policy on payments to Executive Directors leaving the Group

The Executive Directors have service contracts with an indefinite term, which are terminable by either the Company or the Executive Director on 11 and three months' notice, respectively. The service contracts make provision, at the Board's discretion, for early termination involving payment of salary and other emoluments in lieu of notice.

Effective dates of Executive Director service contracts are as follows:

Executive Director	Date of contract
Patrick Coveney	31 March 2008
Eoin Tonge	3 October 2016
Peter Haden	21 May 2019

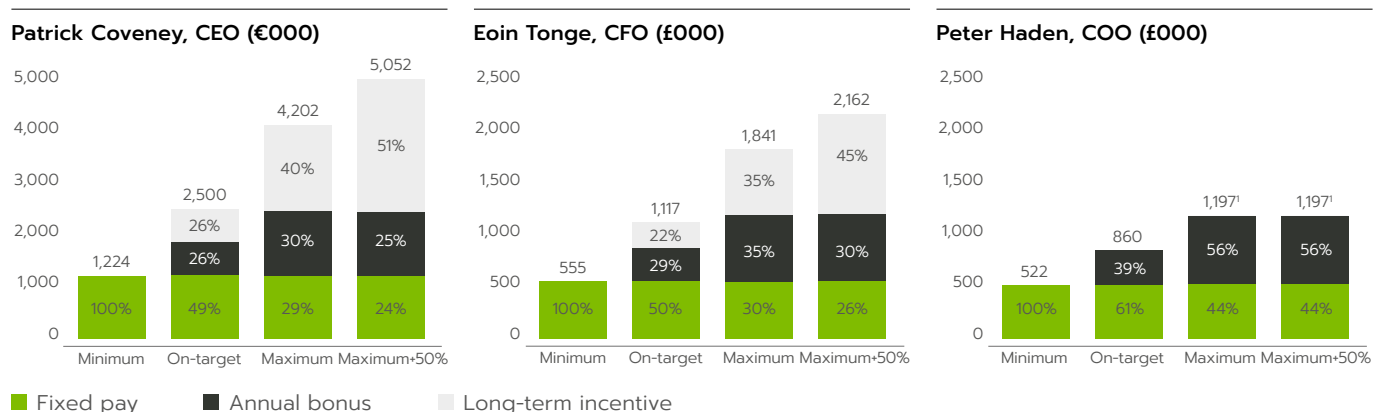
Report on Directors' Remuneration continued

2020 Remuneration Policy continued

Remuneration opportunities in different performance scenarios

The charts below illustrate the potential future value and composition of the Executive Directors' remuneration opportunities in four performance scenarios: minimum, on-target (i.e. in line with the Company's expectations), maximum, and maximum plus 50% share price appreciation, a scenario where 50% share price appreciation is included.

The potential remuneration opportunities are based on the proposed 2020 Remuneration Policy, applied to the Executive Directors' base salaries as at 1 October 2019.



1. As set out on page 86, Peter Haden will not receive any awards under the PSP for FY20.

The charts above exclude the effect of any Company share price appreciation except in the 'maximum +50%' scenario.

Assumptions:

Performance scenario	Includes
Minimum	<ul style="list-style-type: none"> Salary, pension and benefits ('fixed remuneration') No bonus payout No vesting under the PSP
On-target	<ul style="list-style-type: none"> Fixed remuneration 50% of maximum annual bonus payout (i.e. 75% of salary) 25% of maximum vesting under the PSP (i.e. 50% and 37.5% of salary for the CEO and CFO respectively)
Maximum	<ul style="list-style-type: none"> Fixed remuneration 100% of maximum annual bonus payout (i.e. 150% of salary) 100% of maximum vesting under the PSP (i.e. 200% and 150% of salary for the CEO and CFO respectively)
Maximum+50%	<ul style="list-style-type: none"> Fixed remuneration 100% of maximum annual bonus payout (i.e. 150% of salary) 100% of maximum vesting under the PSP, plus 50% share price appreciation

Policy on payments to Executive Directors leaving the Group

When determining leaving arrangements for an Executive Director, the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual. The table below summarises how the awards under incentive plans are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion. When considering the use of discretion, the Committee reviews all potential incentive outcomes to ensure that any application of discretion is fair to both shareholders and participants.

Plan	Scenario	Timing and calculation of payment/vesting
Annual Bonus Plan ('ABP')	All leavers (except for reasons set out below)	No bonus is paid and deferred share awards will lapse.
	Death	The Committee may determine that an Executive Director is eligible to receive a bonus for the year. The Committee will determine the level of bonus taking into account performance.
	Ill-health, injury, disability, redundancy, retirement, the sale or transfer of their employing entity out of the Group, or any other reason at the Committee's absolute discretion ('Good Leaver')	Outstanding deferred share awards will vest in full – or to a lesser extent as determined by the Committee – on the normal vesting date, although the Committee has discretion to accelerate vesting.
	Change of control	The Committee will assess the most appropriate treatment for the outstanding bonus period according to the circumstances. Deferred share awards will vest in full.
Performance Share Plan ('PSP')	All leavers (except for reasons set out below)	Awards lapse.
	Death	Awards will vest immediately to the extent determined by the Committee, taking into account the extent to which the performance conditions have been met and, if the Committee so determines, the period of time elapsed since grant.
	Ill-health, injury, disability, redundancy, retirement, the sale or transfer of their employing entity out of the Group, or any other reason at the Committee's absolute discretion ('Good Leaver')	Awards will vest on the original vesting date, or, if the Committee so determines, as soon as practicable after the date of cessation. The extent to which awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the performance conditions have been satisfied, and, unless the Committee determines otherwise, the period of time from the date of grant up to the date of cessation.
	Change of control	Awards vest immediately, subject to performance, and will be pro-rated for time (based on the proportion of the vesting period elapsed) unless the Committee determines otherwise. Alternatively, awards may be exchanged for new equivalent awards in the acquirer where appropriate.

In respect of vested PSP awards that are still subject to a holding period, awards will normally be released at the end of the holding period, however, the Committee has discretion to determine otherwise, taking into account the circumstances at the time.

Report on Directors' Remuneration continued

2020 Remuneration Policy continued

Change of control

In the event of a change of control of the Company, Executive Directors are entitled to terminate their employment with the Company with 30 days' prior notice at any time within six months after the change in control if the Executive Director has reasonable grounds to contend that the change in control has resulted, or will result, in the diminution of his/her powers, duties or functions in relation to the Group.

If the Executive Director's contract is terminated in the event of the change of control, the Executive Director can seek a payment from the Company in settlement of all and any claims arising in those circumstances. The amount of the payment (subject to deduction of income tax) will be equal to the sum total of his or her basic salary, the bonus paid to the Executive Director in the calendar year immediately preceding such termination and any retained bonus approved but unpaid for the year immediately prior to the year in which the Executive Director's contract was terminated. These provisions reflect Irish employment law.

Treatment of incentives on a change of control is set out in the table on page 77. In the event of a merger, demerger, delisting, special dividend or other event which may, in the opinion of the Committee, affect the current or future value of the Company's shares, the Committee may allow DBP and PSP awards to vest on the same basis as set out above.

Non-Executive Director letters of appointment

The Non-Executive Directors have Letters of Appointment, the terms of which recognise that their appointments are subject to the Company's Articles of Association and their services are at the direction of the shareholders.

All Non-Executive Directors submit themselves for election at the AGM following their appointment, and in line with the Company's Articles of Association and the 2018 UK Corporate Governance Code, each Director retires at each subsequent AGM and offers him or herself for re-election as appropriate.

Non-Executive Directors are not entitled to any payment in lieu of notice. The Letters of Appointment are available for shareholders to view at the AGM and also from the Company Secretary upon request.

The table below shows the appointment and expiry dates for the Non-Executive Directors:

Name	Effective date of appointment	Expiry of appointment ¹
Gary Kennedy	20 November 2008	28 January 2020
Sly Bailey	17 May 2013	28 January 2020
Heather Ann McSharry	30 January 2013	28 January 2020
John Moloney	8 February 2013	28 January 2020
Helen Rose	11 April 2018	28 January 2020
John Warren	30 January 2013	28 January 2020

1. In line with the Company's Articles of Association and the 2018 UK Corporate Governance Code, each year at the AGM of the Company each Director retires, and where appropriate offers him or herself for re-election.

Consideration of wider employee views

The Committee generally considers pay and employment conditions elsewhere in the Group when determining pay for Executive Directors. During FY19, the HR Director made a comprehensive presentation to the Committee in respect of the remuneration structures throughout the Group, the annual salary review process for the wider colleague base as well as the Greencore UK Master Trust Pension Scheme.

In considering increases to the base salary for Executive Directors, the Committee took the Group-wide annual salary review process into account.

The Committee does not consider it appropriate to consult directly with employees regarding Executive Directors' remuneration. However, employees are encouraged to become shareholders under the Company's ShareSave Scheme and once an employee becomes a shareholder, he or she can vote on resolutions in respect of Directors' remuneration along with any other resolutions put before the AGM.

Consulting with our shareholders

The Committee is dedicated to ensuring open dialogue with shareholders in relation to remuneration. In advance of any proposal to amend the remuneration policy, the Committee, led by the Committee Chair, will liaise with key shareholders and proxy advisory firms to discuss the proposed amendments and receive their feedback. During the year, the Chair of the Committee led a comprehensive consultation process in respect of the proposed changes contained within this proposed 2020 Remuneration Policy. Communications detailing the proposals issued to shareholders holding close to 70% of the Company's issued share capital. Consultations were held with shareholders representing c.50% of issued share capital as well as four proxy advisors. The consultation process proved very valuable for the Committee in finalising the proposals contained herein and further information on the consultation process is set out on pages 63 and 64.

Annual Report on Remuneration

The following section sets out our Annual Report on Remuneration, outlines decisions made by the Remuneration Committee (the 'Committee') in relation to Directors' remuneration in respect of FY19 and how the Committee intends to apply the proposed Remuneration Policy for FY20 ('2020 Remuneration Policy'). As set out on page 66, the proposed 2020 Remuneration Policy will be subject to an advisory shareholder vote at the Annual General Meeting ('AGM') of the Company to be held on 28 January 2020. The Annual Report on Remuneration will also be subject to an advisory shareholder vote at the AGM to be held on 28 January 2020. Where information has been audited, 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 strategic priorities. 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 Chairman and the Executive Directors determine the fees for the Non-Executive Directors.

The Terms of Reference for the Committee are reviewed annually and 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 of the following Non-Executive Directors:

Name	Remuneration Committee position
Heather Ann McSharry	Chair (appointed to Committee on 28 January 2014 and appointed Committee Chair from 31 January 2017)
Gary Kennedy	Member (appointed to Committee on 11 March 2010)
John Moloney	Member (appointed to Committee on 31 January 2017)

Each of the Committee members has extensive experience on remuneration related matters, gained from both their executive careers and from their experience on the Committee as well as remuneration and compensation committees of other companies. The Group Company Secretary acts as Secretary to the Committee. During the year, the Chief Executive Officer ('CEO'), Chief Financial Officer ('CFO') and the Group HR Director 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 Executive Directors, 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 FY19. 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 £84,550.

Key activities during the year

During FY19, the Committee held four scheduled meetings. Details of the attendances at these meetings are set out on page 58. The Committee also held a number of additional meetings to cover the significant amount of work undertaken by the Committee during the year, including the review of the 2020 Remuneration Policy. The key activities and matters discussed at Committee meetings included:

- Review of the remuneration structures, the proposed 2020 Remuneration Policy and consulting with shareholders on the proposed changes for inclusion in the 2020 Remuneration Policy;
- Review of feedback received from the shareholder consultation as detailed on pages 63 and 64;
- Review of changes to the legislative, regulatory and corporate governance environments, and consideration of trends in executive remuneration;
- Review and approval of performance and payout in respect of the FY18 Annual Bonus Plan ('ABP');
- Review of the impact of the disposal of the US business on incentive plans;
- Review and approval of performance in respect of the FY16 Performance Share Plan ('PSP') awards;
- Approval of opportunities/award levels and performance targets for the FY19 ABP and PSP awards, and consideration of performance measures for the FY20 ABP and PSP awards;
- Review and approval of the FY18 Report on Directors' Remuneration;
- Review of the Irish and UK ShareSave Schemes activities;
- Review of the Committee's Terms of Reference; and
- Review of the Committee's 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 2019 AGM in relation to the FY18 Annual Report on Remuneration as well as the outcome of the resolution proposed at the 2017 AGM in relation to the FY17 Remuneration Policy.

Resolution	For	Against	Total votes cast	Votes withheld
FY18 Annual Report on Remuneration	90.1%	9.9%	398,306,905	8,049,927
FY17 Remuneration Policy	59.9%	40.1%	446,480,145	7,914

Peter Haden's remuneration package

Peter Haden was appointed as Executive Director on 21 May 2019, and his remuneration package on appointment was as follows:

- Salary: £450,000 p.a.
- Maximum bonus opportunity: 150% of salary
- PSP award opportunity: 150% of salary
- Pension: 8% of salary

Peter Haden's employer pension contribution is in line with the pension contribution available to the wider colleague base. Peter was promoted to the role from a below-Board position, and as such did not receive any recruitment or buy-out awards in relation to his appointment. Under the terms of the 2020 Remuneration Policy, any outstanding awards made to Peter Haden prior to his appointment will be honoured. These awards will be disclosed in the relevant year's Annual Report on Remuneration.

Single figure of total remuneration for Executive Directors (audited)

The following table sets out the single figure of total remuneration for Executive Directors in FY19 and FY18.

		Salary (000)	Pension (000)	Benefits ¹ (000)	Total fixed (000)	Annual bonus – cash (000)	Annual bonus – deferred share award (000)	PSP (000)	Total variable (000)	Total remuneration (000)
Patrick Coveney	FY19	€840	€315	€58	€1,213	€221	€221	€698 ^{2,3}	€1,140	€2,353
	FY18	€824	€309	€59	€1,192	€111	€111	€0 ⁴	€222	€1,414
Eoin Tonge	FY19	£418	£105	£21	£544	£110	£110	£267 ²	£487	£1,031
	FY18	£410	£102	£21 ⁶	£533	£55	£55	£0 ⁴	£110	£643
Peter Haden ⁵	FY19	£166	£13	£13	£192	£43	£43	£181 ²	£267	£459

1. Benefits include car allowance as well as medical insurance.

2. FY19 values: 50% of the FY17 PSP awards will vest on 10 January 2020, based on performance to 29 September 2019 and subject to continued employment on the vesting date. As the share price on the date of vesting is currently unknown, the values shown are estimated using the average share price between 28 June 2019 and 27 September 2019 of £2.1921. The awards for Patrick Coveney and Eoin Tonge will be subject, upon vesting, to a two year holding period.

3. In addition to footnote 2 above, the value of Patrick Coveney's FY17 PSP award has been converted into euro using the average exchange rate for FY19 of €1: £0.8838.

4. FY18 values: FY16 PSP awards vested at 0% and therefore lapsed on 2 December 2018.

5. Peter Haden was appointed to the Board on 21 May 2019. His FY19 salary, pension, benefits and annual bonus relate to the period 21 May 2019 to 27 September 2019. As Peter was not an Executive Director in FY18, his remuneration for FY18 is not included in the table above.

6. There was a clerical error in the reporting of Eoin Tonge's benefits in respect of FY18 which were listed as £31k; this figure has now been corrected.

Single figure of total remuneration for Non-Executive Directors (audited)

The following table sets out the single figure of total remuneration for Non-Executive Directors in FY19 and FY18.

		Base fee	Additional fees	Total fees
Gary Kennedy	FY19	€78,000	€247,000	€325,000
	FY18	€78,000	€247,000	€325,000
Sly Bailey ¹	FY19	€78,000	€16,500	€94,500
	FY18	€78,000	€13,073	€91,073
Heather Ann McSharry	FY19	€78,000	€12,000	€90,000
	FY18	€78,000	€12,000	€90,000
John Moloney	FY19	€78,000	€10,000	€88,000
	FY18	€78,000	€10,000	€88,000
Kevin O'Malley ²	FY19	€26,000	–	€26,000
	FY18	€78,000	–	€78,000
Helen Rose ³	FY19	€78,000	–	€78,000
	FY18	€36,700	–	€36,700
Thomas Sampson ⁴	FY19	€26,000	–	€26,000
	FY18	€78,000	–	€78,000
John Warren	FY19	€78,000	€16,500	€94,500
	FY18	€78,000	€16,500	€94,500

1. Sly Bailey was appointed Senior Independent Director on 14 December 2017.

2. Kevin O'Malley retired from the Board on 29 January 2019. His FY19 fees relate to the period 29 September 2018 to 29 January 2019.

3. Helen Rose was appointed to the Board on 11 April 2018. Her FY18 fees relate to the period 11 April 2018 to 28 September 2018.

4. Thomas Sampson retired from the Board on 29 January 2019. His FY19 fees relate to the period 29 September 2018 to 29 January 2019.

Notes to the single figure table (audited)**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, which was marginally below the average increase awarded to the wider workforce. The new salaries, effective from 1 October 2018, were €840,202 for Patrick Coveney and €418,200 for Eoin Tonge. Peter Haden was appointed to the Board on 21 May 2019 on a salary of €450,000.

Pension

During FY19, 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 participated in the Greencore UK Master Trust Pension Scheme which is a Defined Contribution Pension Scheme and received a taxable non-pensionable cash allowance, equivalent to 25% of his salary. Peter Haden also participated in the Greencore UK Master Trust Pension Scheme and with effect from his appointment to the Board received a partial taxable non-pensionable cash allowance, equivalent to 8% of salary.

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 Patrick was €51,600 as at 27 September 2019. 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.

Annual bonus

The maximum bonus opportunity for FY19 was 150% of salary. The annual bonus is based on the achievement of stretching short term financial targets (75% of maximum bonus) as well as personal and strategic objectives (25% of maximum bonus). The mix of measures reflects 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 set out in the table on page 82 to 84. The ROIC figure has been adjusted (from 14.4%) to exclude the impact of the acquisition of Freshtime. The Committee considered this adjustment appropriate in the context of assessing the achievement of the performance targets (which did not include Freshtime) and the timing of the acquisition (3 September 2019). The impact of adjusting Adjusted EPS on the same basis is minimal and does not impact the outcome of this element of the annual bonus.

Report on Directors' Remuneration continued

Annual Report on Remuneration continued

Notes to the single figure table (audited) continued

Annual bonus continued

Financial element

Measure	Weighting (% of total)	Performance targets		Actual FY19 outturn/ achievement	Resulting bonus outcome
		Target (50% payout)	Stretch (100% payout)		
Adjusted EPS	50%	16.1p	17.2p	16.0p	0% out of 50%
ROIC	25%	14.4%	15.4%	15.0%	20% out of 25%
Total	75%				20% out of 75%

Both Adjusted EPS and ROIC are Group KPIs referred to as Alternative Performance Measures ('APMs'). APMs are non-IFRS measures and are used to monitor the performance of the Group's operations and of the Group as a whole. Definitions and reconciliations to IFRS measures are provided in the APMs section on pages 180 to 184.

Personal and strategic element








The personal and strategic objectives are set out in full below and on page 83 and included a significant focus on devising a revised strategy for the Group following the sale of the US business in November 2018, continuing to promote strong relations with our stakeholders, increasing cash generation and delivering operational and organisational efficiencies, including the Greencore Excellence programmes. The Committee also took into account the significant contribution of the Executive Directors in respect of the sale of the US business, the associated capital return to shareholders, the leadership of the Group's revised vision and strategy for the Group, as well as the delivery of a solid financial performance in a challenging market.

STRATEGIC PRIORITIES



Outside of the financial performance measures, the following personal and strategic measures play a key role in drawing a sharp focus on areas of significance for the Group's performance:

	Personal and strategic objectives	Performance assessment	Result	Link to Group strategic priorities
Patrick Coveney	Capital return and restructuring	Following the successful negotiation of the deal to dispose of the US business, and an extensive engagement exercise, Patrick led the delivery of the capital return process, resulting in the efficient return of £509m of capital to shareholders.	Above target	
	Leadership	Patrick was instrumental in leading both the senior management team and the wider Group through a period of significant change following the disposal of the US business. After a thorough review of Greencore's competitive position, Patrick has led the development of a specific and actionable multi year strategy for the Group as it enters a new phase. His work on developing the strategy was detailed extensively to investors at our Capital Markets Day in September. As part of refocusing our strategy, Patrick has also frequently engaged with employees across the Group, enabling a deeper understanding of any change in priorities, the evolution of the business and the possible implications on the Group's culture.	At target	
	Customers	Patrick's role in pursuing and growing relationships with all our key stakeholders, in particular with customers, is very important to the continued success of our Group. During FY19, Patrick continued to focus on strengthening relationships with customers, ensuring we continue to offer compelling and innovative solutions as we drive market share growth in the food to go market. Our success in this area during FY19 was demonstrated when we received the number one ranking in The Advantage Report™, which is a retailers' assessment of suppliers. Further details are set out on page 19.	Above target	
Outcome of personal and strategic element			15% out of 25%	

	Personal and strategic objectives	Performance assessment	Result	Link to Group strategic priorities
Eoin Tonge	Capital management	During FY19, Eoin led the resetting of the Group's capital structure. Following the disposal of the US business, Eoin successfully executed a capital repayment plan and debt and financing restructure for the Group. Eoin also successfully implemented a capital allocation model which has resulted in a more lean and flexible structure best suited to pursue our refocused strategy.	Above target	
	Stakeholder relations and sustainability	Eoin has been pivotal in the development of a new stakeholder led approach to sustainability, ensuring the Group's material sustainability issues are clearly aligned to the Group's strategy. Led by Eoin, the Group secured a new primary bank debt facility with embedded sustainability targets, the first of its kind in Ireland.	Above target	
	Cash management and cost reduction	Eoin has continued to focus on effective cash management and management of costs across the Group. Throughout FY19, Eoin provided effective leadership in driving both UK and Group cost performance, with a continued focus on cash management and central cost reduction. Excluding US cash flows, Free Cash Flow Conversion increased to 47% in FY19 from 33% in FY18. Eoin also developed new financial objectives for the Group and effectively streamlined the financial reporting processes across the Group.	Above target	
	Group growth	Eoin placed a particular focus on analysing all organic and inorganic growth opportunities during FY19. He played a pivotal role in the identification and acquisition of Freshtime, including extensive cost due diligence and setting out clear integration plans to further enhance the Group's position in salads. The acquisition extends the Group's presence in meal salads and chilled snacking. Further details on the acquisition are set out on page 17.	At target	
Outcome of personal and strategic element			15% out of 25%	
Peter Haden	Operational enhancements	During FY19, Peter ensured functional delivery and maximised operational performance by driving improvements and efficiencies. His highly effective sponsorship of the Greencore Excellence programmes unlocked key improvements and efficiencies across the Group's operational agenda. Further detail on the Greencore Excellence programmes are set out in the Strategic Report on pages 20 and 21. Alongside Patrick Coveney and Eoin Tonge, he led the implementation and internal and external communication of the revised strategy for the Group.	At target	
	Employee engagement	Peter continued to promote the colleague agenda throughout FY19, including leading additional initiatives to increase employee engagement, such as enhancing the employee engagement survey, devising actionable plans to increase engagement, regular townhalls across sites and Group-wide communications. Peter has also been instrumental in leading employee development projects across the Group over FY19. Further details are set out on pages 27 to 29.	Above target	
	UK organisation	One of Peter's key mandates was to consider optimal revisions to the UK structure with a focus on the UK team. This task was carried out to high standards despite a challenging grocery and economic environment, as well as during a period of portfolio change following the disposal of US business. Following the disposal, Peter immediately refocused and redefined the UK management team structure, with a specific emphasis on the commercial and operational functions.	Above target	
Outcome of personal and strategic element			15% out of 25%	

Report on Directors' Remuneration continued

Annual Report on Remuneration continued

Notes to the table (audited) continued

Annual bonus continued

The Committee reviewed each Executive Director's achievements against personal and strategic objectives during the year, and determined the following levels of payout:

Executive Director	Outcome
Patrick Coveney	15% out of 25%
Eoin Tonge	15% out of 25%
Peter Haden	15% out of 25%

The resulting bonus outcomes for FY19 for the Executive Directors are as follows:

Executive Director	Annual bonus outcome (% of maximum)	Annual bonus outcome (% of salary)	Annual bonus outcome (000)
Patrick Coveney	35%	52.5%	€442
Eoin Tonge	35%	52.5%	£220
Peter Haden ¹	35%	52.5%	£86

1. Peter Haden was appointed to the Board on 21 May 2019, and his bonus outcome is applied to his pro-rated salary of £165,577 from 21 May 2019 to 27 September 2019.

In line with our remuneration policy, the bonus outcome for Patrick Coveney and Eoin Tonge will be paid 50% in cash and 50% in shares deferred for a three year period, subject to continued employment. Peter Haden will step down from the Board on 31 December 2019 and details of his arrangements are set out on page 86.

Long term incentives: vesting of FY17 PSP awards

In early 2017, the Executive Directors received awards under the PSP as set out in the table below:

Executive Director	Date of grant	Number of awards granted	Share price on date of grant	Face value on date of grant	Award as % of salary	Vesting date
Patrick Coveney	7 Feb 2017	562,829	£2.463 ¹	£1,386k	200%	7 Feb 2020
Eoin Tonge	7 Feb 2017	243,572	£2.463 ¹	£600k	150%	7 Feb 2020
Peter Haden ²	10 Jan 2017	164,880	£2.426 ³	£400k	n/a	10 Jan 2020

1. Average share price for the three days commencing on 31 January 2017.
 2. Peter Haden was not an Executive Director at the time of the award was granted in FY17; his award is disclosed here for transparency. In line with other non-Board senior management personnel in the Group, Peter Haden received his FY17 PSP award on 10 January 2017.
 3. Average share price for the three days commencing on 4 January 2017.

PSP awards granted in early 2017 were subject to Adjusted EPS and ROIC performance targets measured over the period FY17 to FY19, using FY16 as base year. Target and actual outturn have been as set out below. The reported FY19 ROIC figure has been adjusted (from 14.4%) to exclude the impact of the acquisition of Freshtime. The Committee considered this adjustment appropriate in the context of the timing of the acquisition (3 September 2019). The impact of adjusting Adjusted EPS on the same basis is minimal and does not impact the outcome of this element of the PSP.

Measure	Weighting (% of award)	Performance targets	Actual FY19 outturn	Vesting (% of award)
Adjusted EPS growth	50%	5% to 15% p.a.	0% p.a.	0%
FY19 ROIC	50%	12.5% to 15%	15%	100%
Total				50%

Performance targets for the FY17 awards were set in late 2016, taking into account a range of reference points, including the Group's strategic plan, at that time. These reference points excluded any performance impact from the subsequent acquisition of Peacock Foods which completed in December 2016. As such, no adjustment to the targets and/or performance outcome for FY17 PSP awards is necessary to reflect the sale and disposal of Peacock Foods within the performance period. However, the targets did take into consideration the legacy US business, excluding Peacock Foods, which formed part of the US disposal in November 2018. Although the legacy US business is excluded from the Group's FY19 results, the Committee carefully considered the impact of its disposal on Adjusted EPS and ROIC and determined that no adjustment should be made to either measure with respect to FY17 awards. In coming to its decision, the Committee considered a range of approaches, and concluded that given the complexity of disaggregating the legacy US business from base year (FY16) results, and the fact that the performance profile of the US business was broadly in line with that of the wider Group, the Committee is satisfied that the targets originally set are not materially tougher or easier to achieve than originally intended.

Based on performance over the period 1 October 2016 to 27 September 2019, 50% of the FY17 PSP awards will vest on 10 January 2020 for Peter Haden and 7 February 2020 for Patrick Coveney and Eoin Tonge, subject to the PSP rules. The Committee reviewed the underlying financial performance of the business, as well as the value added to shareholders, and considered that the formulaic vesting outcome was appropriate. A mandatory two year holding period applies to vested PSP awards for Patrick Coveney and Eoin Tonge; vested awards may not be sold during the holding period except to cover tax liabilities. As the FY17 PSP award for Peter Haden was made prior to his appointment to the Board, it is not subject to a holding period.

PSP awards granted in FY19

During FY19, the Executive Directors received awards under the PSP as set out in the table below:

Executive Director	Date of grant	Number of awards granted	Share price on date of grant	Face value on grant	Award as % of salary	Vesting date	Holding period expiry
Patrick Coveney	8 Feb 2019	754,430	£1.957 ¹	£1,476k	200%	8 Feb 2022	8 Feb 2024
Eoin Tonge	8 Feb 2019	320,508	£1.957 ¹	£627k	150%	8 Feb 2022	8 Feb 2024
Peter Haden ²	12 Dec 2018	289,452	£1.806 ³	£523k	n/a	12 Dec 2021	n/a

1. Average share price for the three days commencing on 4 February 2019.
2. Peter Haden was not an Executive Director at the time his award was granted in FY19; his award is disclosed here for transparency. In line with other non-Board senior management personnel in the Group, Peter received his FY19 PSP award on 12 December 2018. The performance conditions are the same as those applying to FY19 awards to Executive Directors. As the FY19 PSP award for Peter Haden was made prior to his appointment to the Board, it is not subject to a holding period.
3. Average share price for the three days commencing on 4 December 2018.

The performance measures are Adjusted EPS, ROIC and TSR. Performance will be assessed over the period FY19 to FY21, using FY18 as the base year, against targets as set out below:

Measure	Weighting (% of award)	Performance targets ¹		
		Below threshold (0% vesting)	Threshold (25% vesting)	Stretch (100% vesting)
Adjusted EPS growth	1/3rd	Below 5% p.a.	5% p.a.	15% p.a.
FY21 ROIC	1/3rd	Below 14%	14%	16%
Relative TSR vs. bespoke group of sector peers ²	1/3rd	Below median	Median	Upper quartile

1. Straight-line interpolation applies between threshold and stretch.
2. For the FY19 awards, the peer group comprises the following peers: A.G.Barr, Aryzta, Britvic, Cranswick, Dairy Crest, Devro, Glanbia, Greenyard Foods, Greggs, Hilton Food, Kerry Group, Premier Foods, SSP Group, and Total Produce.

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. The level of vesting may be adjusted where the Committee considers that there is a material difference between the formulaic vesting outcome and underlying performance.

The awards for Patrick Coveney and Eoin Tonge will vest three years from the grant date, subject to meeting the performance conditions and continued employment. Clawback and malus provisions apply. A mandatory two year holding period applies to vested PSP awards which may not be sold during the holding period except to cover tax liabilities. Peter Haden will step down from the Board on 31 December 2019 and details of his arrangements are set out on page 86. As the FY19 PSP award was made to Peter Haden before his appointment to the Board, the FY19 awards are not subject to a holding period.

Deferred Bonus Plan ('DBP') awards granted in FY19

The following deferred bonus shares were awarded to Patrick Coveney and Eoin Tonge during FY19. Peter Haden is not included in the table as he was not an Executive Director at the time. The awards relate to the bonus awarded for performance during FY18.

Executive Director	Date of grant	Number of awards granted	Share price on date of grant ¹	Face value on grant	Vesting date
Patrick Coveney	7 Dec 2018	54,788	£1.806	£98,947	7 Dec 2021
Eoin Tonge	7 Dec 2018	30,647	£1.806	£55,348	7 Dec 2021

1. Average share price for the three days commencing on 4 December 2018

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

Peter Haden's departure

Peter Haden will step down as an Executive Director of Greencore Group plc on 31 December 2019. Peter will continue to be an employee of the Group until 12 April 2020.

During that period the following arrangements will apply:

- Peter will continue to receive salary, benefits and pension payments in line with the existing remuneration policy;
- Peter will be entitled to be considered for an annual bonus for FY20 but any bonus will be pro-rated to the date he leaves Greencore, and subject to an assessment of the relevant measures. Taking into account the circumstances of his departure, the Committee is exercising discretion permitted under the remuneration policy such that performance will be assessed (and full disclosure provided in the FY20 Annual Report on Remuneration), and any bonus will be paid upon Peter's departure date; and
- Peter will not receive a grant under the PSP for FY20.

Peter is departing the business as a result of the need to simplify the management structure under the leadership of Patrick Coveney following the Group's exit from the US and the reset of the Group's strategy. Therefore, Peter will be treated as a Good Leaver under the Company's incentive plans. All of Peter's outstanding share awards were granted to him prior to (and not in connection with) his appointment to the Board and, as such, their treatment will be aligned with the Company's normal practice for good leavers below the Board. Peter's outstanding PSP awards will be pro-rated to reflect his employment during the vesting period, and for performance. Peter's outstanding DBP awards will vest in full. Peter is entitled to 11 months' notice under his service agreement, and upon cessation of employment will receive payments in lieu of salary, benefits, and pension payments in respect of the proportion of the notice period not worked.

All payments will be in line with the Company's existing remuneration policy where payments relate to Peter's service as an Executive Director, and otherwise consistent with his service agreement and statutory employment rights, as well as the terms applying to his outstanding incentive awards.

Implementation of the Remuneration Policy in FY20

Executive Director remuneration in FY20

A summary of how the proposed 2020 Remuneration Policy will be applied to Executive Director remuneration for FY20 is set out below.

Base salary

The Committee reviewed Executive Directors' salaries in late 2019 and agreed to award an increase of 1.25% for Patrick Coveney and 2.5% for Eoin Tonge. Peter Haden will not be receiving any increase in salary. The increase for Patrick Coveney was below the average increase of 2% which was awarded to the wider colleague base, whilst Eoin Tonge's increase was slightly ahead of the wider colleague base average increase and reflects additional responsibilities taking on during the year, including leading the sustainability and stakeholder engagement agenda. The new salaries, effective from 1 October 2019, will be as follows:

Executive Director	Salary from 1 Oct 2019	Salary from 1 Oct 2018	% increase
Patrick Coveney	€850,705	€840,202	1.25%
Eoin Tonge	£428,655	£418,200	2.5%
Peter Haden	£450,000	£450,000 ¹	0%

1. This figure represents Peter Haden's salary following his appointment as Executive Director on 21 May 2019.

Pension and benefits

From FY20, Patrick Coveney and Eoin Tonge have agreed a voluntary cap on their future annual pension contributions at FY19 levels (of €315,000 and £105,000, respectively). These figures represent 35% of FY19 pensionable earnings for Patrick Coveney and 25% of FY19 salary for Eoin Tonge. Peter Haden will continue to receive a pension contribution of 8% of salary in FY20, which is in line with the pension contribution available to the wider colleague base. The Committee is mindful of the strong views of some shareholders in this area and will keep incumbent Executive Director's pensions under review in light of evolving market practice and shareholder expectations whilst remaining highly cognisant of our contractual obligations to both Patrick Coveney and Eoin Tonge.

Annual bonus

Annually, the Committee conducts a review of the incentive framework to ensure it remains fully aligned with our forward-looking strategy and takes account of shareholder expectations. Following the review during FY19 and taking into account the preference of some shareholders for greater differentiation between the measures used in the ABP and the PSP, from FY20 the Adjusted EPS (weighted 50% of the bonus opportunity) and ROIC (weighted 25% of the bonus opportunity) metrics will be replaced with Adjusted Operating Profit (weighted 50% of the bonus opportunity) and Free Cash Flow (weighted 25% of the bonus opportunity) respectively, in the ABP. Both Adjusted Operating Profit and Free Cash Flow are Group KPIs and introducing these

metrics into the bonus will create more direct alignment between incentive outcomes and the Group's performance in terms of these measures. The remaining 25% of the bonus opportunity will continue to be based on personal and strategic objectives, to help ensure a continued focus on the short and medium term strategic objectives that are most critical in continuing to grow the Group's market leading position in the UK. The outcome of both the financial and non-financial KPIs will be considered by the Committee when determining the personal and strategic performance.

As in previous years, the targets for FY20 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 Annual Report on Remuneration.

The maximum opportunity for FY20 remains unchanged from FY19 and will 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.

Long term incentive

For FY20, Patrick Coveney and Eoin Tonge will receive awards under the PSP of 200% and 150% of salary, respectively, in late 2019.

The performance measures will continue to be Adjusted EPS, ROIC and TSR, as the Committee believes these to be the most appropriate measures for the next three year cycle for growth and returns in the business. Performance will be assessed over the period FY20 to FY22, using FY19 as the base year, and the targets, which have been set taking into account the impact of IFRS 16 *Leases*, are set out below:

Measure	Weighting (% of award)	Performance targets ¹		
		Below threshold (0% vesting)	Threshold (25% vesting)	Stretch (100% vesting)
Adjusted EPS growth	1/3rd	Below 5% p.a.	5% p.a.	15% p.a.
FY22 ROIC	1/3rd	Below 13%	13%	15%
Relative TSR vs. bespoke group of sector peers ²	1/3rd	Below median	Median	Upper quartile

1. Straight-line interpolation applies between threshold and stretch.

2. For the FY20 PSP awards, the peer group comprises the following peers: A.G.Barr, Aryzta, Britvic, Cranswick, Devro, Glanbia, Greenyard Foods, Greggs, Hilton Food, Kerry Group, Premier Foods, SSP Group, and Total Produce. Dairy Crest has been removed from the FY20 PSP peer group following its delist during 2019.

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 and a two year holding period will apply post-vesting. Malus and clawback provisions apply to the FY20 PSP awards both prior to vesting and for a period of two years post-vesting, and vested awards may not be sold during the two year holding period post vesting except to cover tax liabilities.

Non-Executive Director fees in FY20

Non-Executive Director fees are determined by the Chairman and the Executive Directors, with the exception of the Chairman, whose remuneration is determined by the Committee. Basic fees shall not exceed the limit as set out in the Articles of Association and approved by shareholders. The fees for the Chairman and the Non-Executive Directors were last reviewed in November 2019, and no changes were made. Fees are set out in the table below:

	FY20	FY19
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 FY19 and FY18, and the year-on-year change.

	FY19 (000)	FY18 (000)	% change
Distribution to shareholders	£34,752 ¹	£39,364	-11.7% ²
Total employee pay ³	£264,500	£372,500	-28.99%

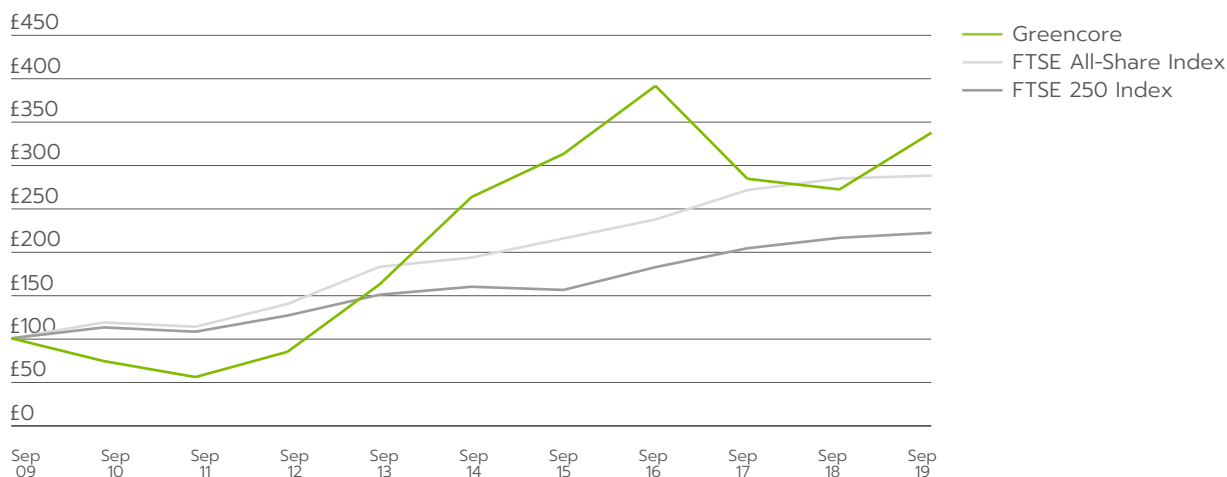
1. This does not include £509m returned to shareholders via the tender offer executed on 31 January 2019.

2. Reflects the reduction in issued share capital following the tender offer.

3. Total employee pay stated for FY19 includes employees in the US business up to the date of disposal in November 2018.

Historical TSR performance and remuneration outcomes for the CEO

The graph below compares the Company's TSR against the FTSE All-Share Index and the FTSE 250 Index for over a period of ten years up to 27 September 2019. 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 broader comparator group.



The table below illustrates the CEO's single figure of total remuneration over the same ten year period to 27 September 2019.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Single figure (€000) ¹	€2,223	€2,227	€2,449	€2,074	€2,590	€5,038	€3,131	€1,670	€1,414	€2,353
Annual bonus outcome	95%	78%	92%	89%	98%	73%	83%	22%	18%	35%
PSP vesting ²	n/a	n/a	n/a	n/a	n/a	92.3%	79%	35%	0%	50%

1. The disclosures of the single figures of total remuneration for the CEO for FY11 to FY18 have been converted from GBP into euro, using the average exchange rate for the relevant financial year, to facilitate comparison over time.

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

External appointments

We recognise the opportunities and benefits to both the Company and to the Executive Directors of serving as Non-Executive Directors of other companies. During FY19, the Board introduced a policy on external appointments for both Executive and Non-Executive Directors. Executive Directors are permitted to take on a Non-Executive Directorship with another publicly listed company with the approval of the Board. 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 FY19, Patrick received €85,000 for this role which he is entitled to retain.

Outstanding share awards (audited)

Details of the Executive Directors' existing share awards as at 27 September 2019 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	02.12.15	115,964 ¹	–	125,777 ²	–	–	£2.6234 ¹	£1.7775	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
	07.12.18	–	54,788	–	–	54,788	£1.8060	–	07.12.21	07.12.21
Performance Share Plan	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
	08.02.19	–	754,430	–	–	754,430	£1.9572	–	08.02.22	08.02.22
ShareSave	06.07.18	11,522	–	–	–	11,522	€2.0938	€1.5700	01.09.21	28.02.22
Eoin Tonge										
Deferred Bonus Plan	02.12.15	59,742 ¹	–	64,796 ²	–	–	£2.6234 ¹	£1.7775	02.12.18	02.12.18
	10.01.17	63,717	–	–	–	63,717	£2.4260	–	10.01.20	10.01.20
	18.12.17	64,516	–	–	–	64,516	£2.0460	–	18.12.20	18.12.20
	07.12.18	–	30,647	–	–	30,647	£1.8060	–	07.12.21	07.12.21
Performance Share Plan	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	–	07.02.20	07.02.20
	18.12.17	300,587	–	–	–	300,587	£2.0460	–	18.12.20	18.12.20
	08.02.19	–	320,508	–	–	320,508	£1.9572	–	08.02.22	08.02.22
ShareSave	23.07.15 ¹	8,649	–	–	8,649	–	£3.1530	£2.0800	01.09.18	28.02.19
	06.07.18	12,162	–	–	–	12,162	£1.8445	£1.4800	01.09.21	28.02.22
Peter Haden³										
Deferred Bonus Plan	10.01.17	54,968	–	–	–	54,968	£2.4260	–	10.01.20	10.01.20
	18.12.17	64,516	–	–	–	64,516	£2.0460	–	18.12.20	18.12.20
	07.12.18	–	283,106	–	–	283,106	£1.8060	–	07.12.21	07.12.21
Performance Share Plan	10.01.17	164,880	–	–	–	164,880	£2.4260	–	10.01.20	10.01.20
	18.12.17	195,503	–	–	–	195,503	£2.0460	–	18.12.20	18.12.20
	12.12.18	–	289,452	–	–	289,452	£1.8060	–	12.12.21	12.12.21
ShareSave	06.07.18	12,162	–	–	–	12,162	£1.8445	£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 2015 and shares exercised in 2018 represents scrip dividend payments on the awards.
3. Peter Haden's awards as detailed in this table were all granted before he was appointed to the Board; the awards are disclosed for transparency.

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 27 September 2019 was £338,743.51 (FY18: £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.

As referred to in the 2020 Remuneration Policy, it is intended that with effect from January 2020, Executive Directors will be subject to a post-employment shareholding guideline. Executive Directors will normally be expected to maintain a holding of Greencore shares at a level equal to the lower of the in-post shareholding guideline or the individual's actual shareholding for a period of two years from the date the individual ceases to be a Director. The specific application of this shareholding guideline will be at the Committee's discretion.

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

The table below shows the beneficial interests of Directors on 27 September 2019 (including the beneficial interest of their spouses, civil partners, children and stepchildren) in the Ordinary Shares of the Company, as well as unvested awards.

	Ordinary Shares held at 28 Sep 2018 (or appointment if later)	Ordinary Shares held at 27 Sep 2019	Shareholding requirement as % of salary	Current shareholding as % of salary ¹	Shareholding requirement met	Subject to deferral/holding period ²	Unvested and subject to performance conditions ³
Executive Directors							
Patrick Coveney	3,613,544	3,613,544	200%	1,067%	Yes	344,075	2,026,003
Eoin Tonge	553,552	553,552	200%	290%	Yes	158,880	864,667
Peter Haden ⁴	45,126	45,126	200%	22%	No	402,590	649,835
Non-Executive Directors							
Gary Kennedy	153,363	153,363					
Sly Bailey	55,576	55,576					
Heather Ann McSharry	57,903	57,903					
John Moloney	47,307	47,307					
Helen Rose	–	25,000					
John Warren	60,000	60,000					
Group Company Secretary							
Jolene Gacquin	8,066	8,066					

1. Calculated based on FY19 salaries and the average share price between 28 June 2019 and 27 September 2019 of £2.1921. In addition

Patrick Coveney's shareholding value has been converted into euro using the average exchange rate for FY19 of €1:£0.8838.

2. Includes deferred bonus shares and vested shares subject to a holding period under the PSP where applicable.

3. Includes unvested PSP shares.

4. Peter Haden was appointed to the Board on 21 May 2019 and will step down from the Board on 31 December 2019. Under the guidelines, Executive Directors have a period of five years from Board appointment to reach the shareholding guidelines.

There were no changes to current Directors' interests in Greencore shares during the period 27 September 2019 to 25 November 2019.

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 1,400 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 £1.7m (FY18: £0.3m). Further detail in respect of the DBP and PSP awards is outlined in Note 34 of the Financial Statements.

Options outstanding under the Company's DBP, PSP and ShareSave Schemes at 27 September 2019 amounted to 13,944,853 Ordinary Shares (FY18: 15,635,761) made up as follows:

	Number of Ordinary Shares ¹	Price range ¹	Normal exercise dates
Deferred Bonus Plan	1,340,498	—	2019-2022
Performance Share Plan	6,342,214	—	2019-2022
ShareSave Scheme	137,982	€1.57-€2.58	2019-2023
	6,124,159	£1.48-£2.17	2019-2023

1. The number of shares and the prices in respect of options granted in 2016 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 27 September 2019, there were 3,396,791 shares in the Company's share ownership trust (as at 28 September 2018: 3,386,641). Current shareholder dilution is circa 0.76%.



John Warren

Report of the Audit Committee

THE AUDIT COMMITTEE ASSISTS THE BOARD IN FULFILLING ITS OVERSIGHT RESPONSIBILITIES BY ENSURING THE INTEGRITY OF THE GROUP'S FINANCIAL INFORMATION, AUDIT QUALITY, THE EFFECTIVENESS OF INTERNAL CONTROLS AND THE RISK MANAGEMENT PROCESS.

Dear Shareholder,

On behalf of the Audit Committee (the 'Committee') and the Board, I am pleased to present the Report of the Committee for the year ended 27 September 2019. This report details how the Committee fulfilled its responsibilities and includes an overview of the principal matters which the Committee has assessed in FY19. During the year, the Committee continued to focus on its core areas of responsibility, namely protecting the interests of the Group and our shareholders through ensuring the integrity of the Group's financial information, audit quality and the effectiveness of internal controls and 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 last reviewed in September 2019 with minor amendments made.

Membership of the Committee

The Committee is composed of four Non-Executive Directors: Ms Sly Bailey, Ms Heather Ann McSharry, Ms Helen 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 44 and 45.

Committee Members	Date Appointed
John Warren	20 March 2013
Sly Bailey	25 July 2013
Heather Ann McSharry	20 March 2013
Helen Rose	11 April 2018

The Board has determined that Ms Rose and I both have recent and relevant financial experience. Ms Rose also has specific risk expertise, having been 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 to provide effective governance. Following a review of both the Committee and Committee members' effectiveness, 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 UK 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.

Committee meetings

The Committee meets at least three times in the financial year and attendance at the scheduled meetings held during FY19 is shown on page 58. The meetings of the Committee are scheduled to take place in advance of Board meetings. This provides me with the opportunity to keep the Board apprised of the key items discussed at Committee meetings. The Board also receives copies of the minutes of the Committee meetings.

During FY19, the Chief Executive Officer ('CEO'), Chief Financial Officer ('CFO'), Group Financial Controller, Head of Risk Management and Head of Legal and Compliance as well as representatives from the external auditor attended Committee meetings upon invitation. In addition, other individuals from within the Group attended Committee meetings during the year, and provided the Committee with updates on certain key areas of the business, such as health and safety, IT systems, cyber risk, food safety, environmental matters and insurance. Up until his departure in January 2019, Non-Executive Director Mr Tom Sampson attended the meetings.

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 a regular basis in order to discuss any issues which may have arisen during the year under review. 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, completed the review of the impact of the Group's transition to IFRS 9 <i>Financial Instruments</i> and IFRS 15 <i>Revenue from Contracts with Customers</i> during FY19. The impact assessment on the adoption of new standards is set out in Note 1 to the Financial Statements.
	The Committee, together with management, continues to review the estimated impact on the Group's transition to IFRS 16 <i>Leases</i> , as well as its implementation in FY20. The estimated impact of IFRS 16 <i>Leases</i> on the Group's key measures is also set out in Note 1 to the Financial Statements.
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 94.
External audit FY19	FY19 marked the first year of Deloitte Ireland LLP's ('Deloitte') tenure as external auditor. The Committee monitored the activities undertaken by Deloitte to ensure external auditor independence and that an effective audit was carried out. The Committee met with Deloitte in May and September 2019 to discuss and consider the FY19 external audit plan, which was set taking into consideration the nature of risks to, and the strategy of, the Group.
Review of impact of US disposal	The Committee reviewed the impact of the disposal of the US business. Specifically the Committee considered the accounting treatment of the US disposal and the associated capital restructuring. This included the profit on disposal and the charge which resulted from reshaping the Group's debt and derivative portfolio. These items were presented as exceptional items in the year.

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 FY19, 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 27 September 2019.

Report of the Audit Committee continued

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

Accounting for 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. 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 an exceptional credit of £25.9m. This included a credit of £55.9m relating to the profit on disposal of our US business and a £25.4m charge relating to the debt restructuring we undertook following the disposal. The Committee discussed all of the exceptional items with management and with Deloitte and 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 acquisition of Freshtime

The Group acquired Freshtime on 3 September 2019. When acquiring a business, the Group is required to bring acquired assets and liabilities onto the Group Balance Sheet at their fair value, the determination of which requires a significant degree of judgement. Judgement is also required in the assessment and valuation of intangible assets, in this case customer related intangible assets. The Committee discussed and reviewed the accounting for the acquisition with Deloitte, in particular the valuation and remaining life of the intangible asset. It also reviewed the costs relating to the acquisition of £1.8m which were presented as an exceptional item.

Goodwill

The Group had goodwill of £448.4m at 27 September 2019 as set out in Note 14 to the Group Financial Statements. 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. As part of its audit, Deloitte assessed the Group's impairment model for each CGU and performed analysis on the assumptions which had been used by the Group in the impairment model. Following a detailed review and discussions with Deloitte, the Committee was satisfied that the assumptions used were appropriate and, as there was sufficient headroom, was satisfied that no impairment was required.

Principal activities in FY19

Risk management and internal controls

The Committee supports the Board in its duties to review and monitor, on an ongoing basis, the effectiveness of the Group's system of internal control and risk management. In order to fulfil these duties during the year under review the Committee:

- formally met with the Head of Risk Management who provided reports on the Risk Management Group's key findings from business process and control reviews and management's response to same;
- approved the FY19 Risk Management Plan in September 2018. The Committee received an update on the FY19 Risk Management Plan in January 2019 which had been refined following the completion of the sale of the US business. In May 2019, the Committee was provided with an update on the refocused FY19 Risk Management Plan which included an enhanced focus on the IT road map, cyber security, business continuity planning, ethical employment requirements, food defence mechanisms and GDPR compliance;
- received presentations on principal risks and discussed with senior management the material internal controls that exist to mitigate these to levels within the Board's risk appetite;
- reviewed and approved the Risk Management Plan for FY20 which sets out the planned activities, including staffing and resources, for the Risk Management Group for the year ahead. The plan is driven by the maturity of the individual businesses and their perceived level of risk;
- received and reviewed the final comprehensive report on the activities of the Risk Management Group for FY19. The report included detailed information in relation to how the Risk Management Group had delivered against the FY19 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; and
- 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 and has reported this opinion to the Board. A detailed overview of the Group's internal control and risk management framework is set out on pages 38 to 43.

Whistleblowing arrangements

At Committee meetings during the year, the Committee reviewed the Group's arrangements for employees to raise concerns, in confidence, relating to accounting, risk issues, auditing issues or any other impropriety or area of concern. This review included a review of the Group's 'Expolink' whistleblowing hotline. This service, which is run by an independent external provider, is multilingual and is accessible to all employees and third parties by phone, toll free 24 hours per day. The Committee also considered the whistleblowing reports, which 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.

Compliance statement

During the year the Audit Committee reviewed the appropriateness of the Directors' Compliance Policy Statement and also considered reports from senior management in respect of the compliance structures and arrangements in place for the year under review to ensure the Company's material compliance with its relevant obligations. Following the review, as well as a review of the report from the Risk Management Group in respect of the compliance structures and arrangements, the Committee confirmed to the Board that in its opinion the Company is in material compliance with its relevant obligations.

Viability statement

The Committee reviewed management's work on assessing the potential risks to the business and the appropriateness of the Company's choice of a three year assessment period. Following this review, the Committee was satisfied that management had conducted a robust assessment and recommended to the Board that it could approve and make the viability statement, as set out on page 49.

Going concern statement

The Committee received the information, underlying assumptions and analysis presented in support of the going concern statement. The Committee concluded that it was appropriate to recommend the adoption of the going concern basis in preparing the financial statements. Further information is set out on page 49.

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.

External audit effectiveness

The Committee, on behalf of the Board, is responsible for monitoring the quality, objectivity and effectiveness of the external auditor. This year marked the formal transition of auditor. KPMG completed the FY18 external audit and Deloitte's appointment was formally approved by shareholders at the Company's Annual General Meeting ('AGM') on 29 January 2019.

The Committee assessed the quality and effectiveness of the FY18 external audit process in conjunction with the business units and the central team. The assessment of the FY18 audit highlighted that KPMG performed well and demonstrated strong technical knowledge. The feedback confirmed that KPMG was committed to audit quality and had provided an appropriate level of challenge to management. The Committee has concluded that overall KPMG carried out its audit for FY18 effectively.

As set out above, FY19 is the first year of Deloitte's tenure as external auditor following its appointment at the January 2019 AGM. An advisory resolution will be put to the shareholders at the forthcoming AGM in relation to the continuation in office of Deloitte as auditor.

In May, 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. The Letter of Engagement set out confirmation of Deloitte's independence within the meaning of the regulations and professional standards.

In November 2019, in advance of the finalisation of the Group's Financial Statements, the Committee reviewed a report from Deloitte on its key audit findings, including the key risk areas and significant judgements, and discussed it with Deloitte 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. The Committee meets at least annually with the external auditor absent management to discuss any issues the external auditor may wish to raise directly with the Committee.

Report of the Audit Committee continued

Non-audit services

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

Deloitte did not provide any non-audit services during FY19.

Audit Committee effectiveness

During FY19, the Board and the Committee reviewed the operation, performance and effectiveness of the Committee. The review confirmed that the Committee continues to operate effectively and efficiently and has access to the resources required in order to perform its role appropriately. I would like to thank my fellow Committee members for their commitment and input to the work of the Committee during the year. The Committee will continue to focus on the impact of new accounting standards, including IFRS 16 *Leases*, external audit quality, internal controls and risk management during FY20. 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
25 November 2019

Report of the Nomination and Governance Committee



John Moloney

Report of the Nomination and Governance Committee

THE NOMINATION AND GOVERNANCE COMMITTEE
FOCUSED ON NON-EXECUTIVE DIRECTOR REFRESHMENT,
SUCCESSION PLANNING AND CORPORATE GOVERNANCE
DEVELOPMENTS DURING FY19.

Dear Shareholder,

As Chair of the Nomination and Governance Committee (the 'Committee'), it is my pleasure to present the Committee's report for the year ended 27 September 2019 ('FY19'). The main purpose of this report is to highlight the role of the Committee and to outline the key areas of focus for the Committee during FY19.

Membership of the Committee

The Committee is made up of three Non-Executive Directors: Ms Sly Bailey, Mr Gary Kennedy and myself. On pages 44 and 45, you will find further details of each of the Committee member's qualifications, experience and expertise.

Committee Members	Date Appointed
John Moloney	10 May 2013
	28 January 2014 (Appointed Chairman)
Sly Bailey	28 January 2014
Gary Kennedy	26 July 2012

Following a review of its effectiveness, structure and membership in FY19, both the Committee and the Board believe that the Committee's composition is appropriate and the Committee as a whole is suitably equipped to perform its duties effectively.

Activities of the Committee

The Committee operates under Terms of Reference, which are reviewed annually and are available under the Corporate Governance section of our website, www.greencore.com. In January 2019, the Committee undertook the annual review of its Terms of Reference and following amendments to accord with best practice, the amended Terms of Reference were approved by the Board.

In the year, in addition to the three scheduled meetings, the Committee also held a number of unscheduled meetings. All Committee members attended all scheduled and unscheduled meetings. Further details of attendance can be found on page 58.

During FY19, the Committee focused on:

- Board and Board committees (collectively the 'Committees') composition and succession planning, including Non-Executive Director tenure;
- Senior management development and succession planning;
- The appointment of a new Group Company Secretary;
- The requirements of the 2018 UK Corporate Governance Code effective from FY20;
- The review of new policies to enhance Board governance; and
- The introduction of the role of Workforce Engagement Director.

Report of the Nomination and Governance Committee continued

Board and Committee composition

As a result of the disposal of the US business, Non-Executive Directors Mr Thomas Sampson and Mr Kevin O'Malley retired from the Board following the 2019 Annual General Meeting ('AGM'). Following their departure, the Committee undertook a rigorous review of the composition of both the Board and the Committees to ensure that they were appropriately constituted and there was an appropriate balance of skills, knowledge, experience, independence and diversity on the Board and each of the Committees.

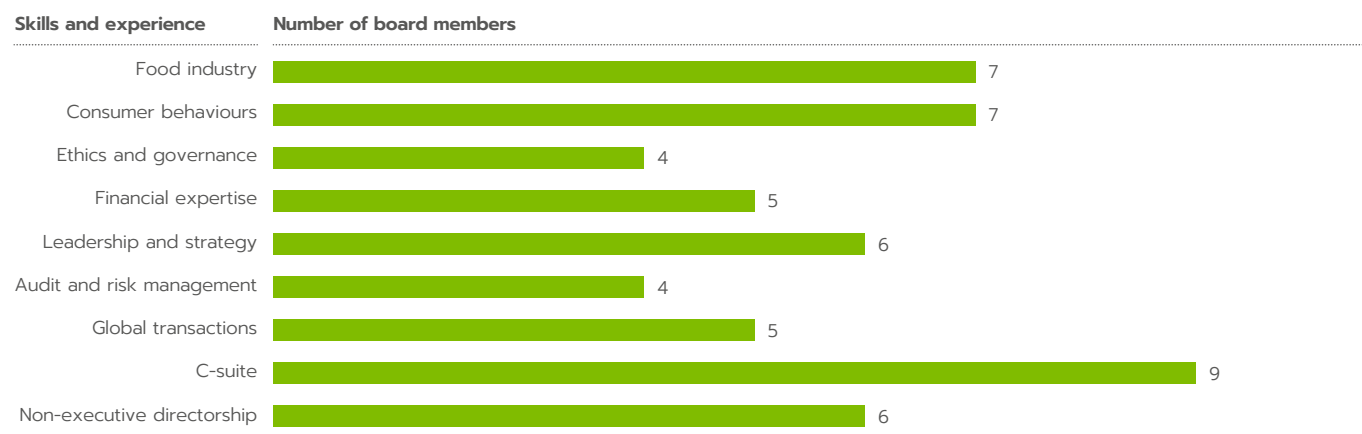
Senior management development

In October 2018 the Committee recommended to the Board the appointment of Ms Jolene Gacquin as Group Company Secretary. Ms Gacquin replaced Mr Conor O'Leary on 29 January 2019. Following a formal selection process, the Committee recommended the appointment of Mr Peter Haden to the Board as Executive Director. The Board approved the appointment and Mr Haden was appointed with effect from 21 May 2019.

Following the Group's exit from the US market, along with the reset of Group strategy and the consequent need to simplify the management structure under the leadership of Mr Patrick Coveney as Chief Executive Officer, Mr Haden will step down from the Board on 31 December 2019. Mr Haden will remain with the Group until April 2020 to enable the Group to transition seamlessly to the new structure. The strong contribution that he has made to the development and performance of Greencore over the past five years is appreciated by the Board.

Experience and skills

The chart below shows the diverse mix of skills held by the Board.



Succession planning and Chairman tenure

One of the roles of the Committee is to ensure that succession plans are in place for the Directors and senior management taking into consideration the current structure, leadership requirements, the commercial environment and the future plans for the Group. A cornerstone of strong succession planning is ensuring it is aligned with the evaluation of strategy rather than operating in isolation.

As part of the Board and Committee's composition review during FY19, the Committee also undertook a detailed review of the tenure of each of the Non-Executive Directors, and the Board as a whole. Following on from the review, the Committee built on existing practice and instigated a formalised Non-Executive Director refreshment and succession planning exercise to ensure that appropriate plans are in place to secure the orderly succession of Non-Executive Directors with longer tenure who will step down from the Board over the coming years.

The Committee, together with the Board, has carried out detailed reviews of the requirements of the 2018 UK Corporate Governance Code ('2018 Code') which applies to the Company with effect from FY20. In alignment with the principles of the 2018 Code, one of the key areas of focus for the Committee during the year was succession planning and talent management at both Board and senior management levels covering short to long term planning. MWM Consulting which has no affiliation with the Group is assisting the Committee in its Non-Executive Director refreshment and succession planning exercise.

Following the Chairman evaluation, led by the Senior Independent Director, during FY19, the Board and the Committee concluded that Mr Gary Kennedy should remain in situ as Chairman to oversee the outlined refreshment and succession planning exercise. The Committee acknowledges that this is a departure from the relevant provision of the 2018 Code which states that the Chairman should not remain in post beyond nine years from the date of his first appointment to the Board. The 2018 Code does recognise that, in certain circumstances, this period may be extended to allow for effective succession planning and to facilitate

the development of a diverse Board. The 2018 Code goes on to refer, in particular, to circumstances where the Chairman was an existing Non-Executive Director on appointment. The Committee believe that both apply here and Mr Kennedy is the ideal Chairman to further facilitate the development of a diverse Board.

Mr Kennedy has overseen considerable change in the business during his tenure, particularly in the last three years. His leadership has been key to our success and the Committee recognises that his experience brings helpful perspective and challenge to our strategic discussions. As the Board undergoes significant change over the period ahead, there is a clear advantage to retaining Mr Kennedy while new Board members establish themselves.

Our Non-Executive Directors' tenure on our Board as at 27 September 2019 was as follows:

Length of service	Number of Non-Executive Directors
Less than 1 year	0
Between 1-2 years	1
Between 3-5 years	0
Between 5-10 years	4
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.

Corporate governance developments

Both the Committee and the Board have undertaken a detailed evaluation of the 2018 Code which applies to the Group with effect from FY20. Following on from the analysis of the principles and provisions of the 2018 Code, the Committee developed additional policies and processes in order to enhance corporate governance standards, each of which have been approved by the Board. These policies include a new Site Visit Policy and an External Appointments Policy.

In addition, on the recommendation of the Committee, the Board approved the appointment of Ms Sly Bailey as the designated Non-Executive Director with responsibility for engagement with the Company's workforce ('Workforce Engagement Director') with effect from FY20. The role of the Workforce Engagement Director is to ensure that there is effective engagement between the Board and our colleagues. This role is operating under Board approved objectives for FY20. Further information will be provided in the FY20 Annual Report and Financial Statements.

Diversity

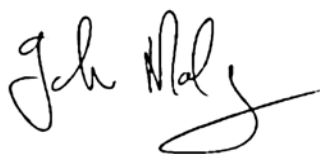
Both the Board and the Committee are committed to ensuring that diversity remains a key area of focus for the Group. As at the end of FY19, over 33% of our Board members are females, whilst females represent 58% of our senior management team. Further information in relation to our gender diversity breakdown is set out on page 50.

In the year under review, the Committee also considered both the Board Diversity Policy and the Group Diversity and Inclusion Policy to ensure that they remained appropriate. Minor amends to the Group Diversity and Inclusion Policy were approved by the Board in September 2019. The Board Diversity Policy sets out both the Committee and the Board's approach and commitment to diversity planning.

Areas of focus

One of the areas of focus for the Committee for FY20 will be succession planning and diversity throughout FY20. In addition, as set out above, the Committee dedicated a significant amount of time to reviewing the requirements, of the 2018 Code to ensure that appropriate mechanisms were in place to address each of the principles and provisions, and the Committee intends to keep the 2018 Code and external developments under review during FY20 to ensure that Company procedures align to best practice where appropriate.

My Committee colleagues and I will be available at the forthcoming AGM of the Company to answer any queries that shareholders may have in relation to the Committee.



John Moloney

On behalf of the Nomination and Governance Committee
25 November 2019

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 or loss 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 corporate and financial information included on the Group's 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 position and 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 46 and 47 (share capital), 44, 45 and 47 (Directors), 48 (Significant Shareholdings), 81 to 84 (Performance Related Annual Bonus and Deferred Bonus Plan, 84 and 85 (Performance Share Plan), 91 (Share Option Schemes), 90 (Directors' and Company Secretary's Shares Interests), 89 and 91 (Share Options), 91 (Share-Based Payments) and 80 and 81 (Remuneration and Fees Paid in respect of FY19) are deemed to be incorporated in this part of the Directors' 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 44 and 45 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 27 September 2019 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, is fair balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board



Gary Kennedy

Chairman
Dublin

25 November 2019



Eoin Tonge

Director

Independent Auditor's Report

to the members of Greencore Group plc

Report on the audit of the financial statements

Opinion on the financial statements of Greencore Group plc (the 'Company')

In our opinion the Group and Company financial statements

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 27 September 2019 and of the profit of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting frameworks, and in particular, with the requirements of the Companies Act 2014 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The financial statements we have audited comprise:

The Group financial statements:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group statement of financial position;
- the Group statement of cash flows;
- the Group statement of changes in equity; and
- and the related Notes 1 to 37, including a summary of significant accounting policies as set out in Note 1.

The Company financial statements:

- the Company statement of financial position;
- the Company statement of changes in equity; and
- and the related Notes 1 to 12, including a summary of significant accounting policies as set out in Note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations as approved by the International Accounting Standards Board (IASB) ("the relevant financial reporting framework").

The relevant reporting framework that has been applied in the preparation of the Company financial statements is the Companies Act 2014 and FRS 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council ("the relevant financial reporting framework").

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 described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

First Year Audit Transition and Key Audit Matters

This is the first year we have been appointed as auditors to the Group. We undertook a number of transitional procedures to prepare for the audit. Before we commenced our audit we had to establish our independence of the Group which involved ceasing a commercial relationship. We used the time prior to commencing our audit to meet with key members of management to gain an understanding of the business, its challenges and the environment in which it operates.

The key audit matters that we identified in the current year were:

- Impairment of goodwill;
- Revenue recognition (Transition to IFRS 15);
- Exceptional items;
- Acquisition accounting

Key audit matters considered by the Group's auditor in the prior year were broadly aligned with the items identified above, but also included consideration of disposal group held for sale and discontinued operations and post retirement benefit obligations, which are less significant in the current year.

Materiality

The materiality for the Group that we used in the current year was £3.5m which was determined on the benchmark of profit before taxation from continuing operations and before exceptional items representing 4% of the benchmark. In 2018, the predecessor auditor determined materiality at £3m, on the basis of 3% of the Group's profit before taxation excluding the impact of the exceptional costs.

The materiality for the Company that we used in the current year was £1.75m which was determined on the benchmark of net assets representing 0.35% of this benchmark. In 2018, the predecessor auditor determined materiality at £1.7m, on the basis of 0.11% of the Company's total assets.

Scoping

We determined the scope of our Group audit by obtaining an understanding of the Group and its environment and assessing the risks of material misstatement at the Group level.

Our audit scoping provides full scope audit coverage of 96% of revenue, 96% of profit before taxation and exceptionals and 88% of total assets.

In 2018, audits for Group reporting purposes were performed based on identified key reporting components. The predecessor auditors scoping for group reporting purposes was 87% of revenue, 90% of profit before taxation and exceptionals and 95% of total assets.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which ISAs (Ireland) require us to report to you whether we have anything material to report, add or draw attention to:

- The Directors confirmation in the annual report on pages 60 to 61 that they have carried out a robust assessment of the principal risks facing the Group and the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosure on pages 38 to 43 in the annual report that describes those principal risks and explain how they are being managed or mitigated;
- the Directors' statement on page 49 in the annual report and page 117 in the financial statements about whether the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on page 49 in the annual report as to how they have assessed the prospects of the Group and Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and Company 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.

Independent Auditor's Report continued

to the Members of Greencore Group plc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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.

Impairment of goodwill

Key audit matter description

As described in Note 1 (Critical Accounting Estimates and Judgements) and Note 14 (goodwill and intangible assets), the Group held £448.4m (2018: £409.7m) of Goodwill at 27 September 2019 which represents 39% of the Group's total assets. Director's judgement is required in identifying indicators of impairment and estimation is required in determining the recoverable amount of the Group's cash generating units (CGU). There is a risk that incorrect inputs or inappropriate assumptions and estimates could be included in the Group's impairment assessment model leading to an impairment charge that has not been included in the Group's financial statements. This risk relates to the two CGU's of the Group.

When a review for impairment is carried out, the recoverable amount of each CGU is compared to its carrying value. The recoverable amount is determined based on value in use calculations which rely on Director's assumptions and estimates of future trading performance.

The key assumptions utilised by the Director's in the impairment reviews are discount rates and growth rates.

The Audit Committee's discussion of this key audit matter is set out on page 94.

How the scope of our audit responded to the key audit matter

We, in conjunction with our valuation specialists, evaluated the methodology applied by Director's in preparing the value in use calculations and the judgements applied in determining the CGUs.

We evaluated the design and determined the implementation of the relevant controls in place over Director's impairment review process.

We challenged cash flow projections by comparing them to historic rates and Group strategic plans. We challenged the Group's forecasts with reference to recent performance, economic and industry forecasts and trend analysis including historic growth rates and market available information.

We assessed the reasonableness of related assumptions used in determining terminal values. We developed an independent view of the key assumptions used in the model, in particular, the Group discount rate and growth rate, and benchmarked the rates used by Directors against market data and comparable organisations.

We evaluated Director's sensitivity analysis and performed our own sensitivity analysis on the key assumptions used.

We evaluated the completeness and accuracy of the disclosures in relation to goodwill and whether they meet the requirements of the relevant accounting standards.

Key observations

We have no observations that impact on our audit in respect of the amounts and disclosures related to the carrying value of goodwill.

Revenue Recognition (Transition to IFRS 15)

Key audit matter description As described in Note 1 (accounting policies, new standards and interpretation) the Group adopted IFRS 15 'Revenue from Contracts with Customers' effective from 29 September 2018. Two key judgement areas were identified arising from the transition to IFRS 15:

- Variable Consideration
- Principle v Agent

Many of the Group's revenue contracts include an element of variable consideration, such as trade discounts, namely in the form of rebate arrangements or other incentives to customers. Director's assessment of rebates and their application under IFRS 15 required an element of judgement to ensure revenue was recorded on an appropriate basis.

In transitioning to IFRS 15, the Group assessed how revenue from the sale of third party manufactured goods are accounted for and whether it was more appropriate to account for revenue on an agency or net basis, versus principal or gross basis. The majority of the Group's contracts for the sale of third party manufactured goods are accounted for on a gross basis. The application of the standard is reliant upon a number of key estimates primarily on the interpretation of control of goods.

The Audit Committee discussion of this key audit matter is set out on page 93.

How the scope of our audit responded to the key audit matter We obtained and documented our understanding of the process Director's undertook to identify the impacts of the new standard and to develop the accounting policy papers including the consideration of key judgments as outlined above.

We evaluated the design and determined the implementation of the relevant controls in place over the review of revenue contracts and the identification of selling arrangements which contain variable consideration within the Group.

We obtained an understanding of and reviewed the various selling contracts and arrangements in place across the Group to challenge the appropriate identification of variable consideration and related recognition.

We challenged the key judgements in assessing when control passed to customers to determine whether the company was the agent or principal to ensure revenue was recorded in line with the requirements of IFRS 15. Where appropriate, we reviewed the detailed assessment against the contracted arrangements and the underlying requirements of the accounting standard.

We evaluated the completeness and accuracy of the disclosures in relation to the transition to IFRS 15 and whether they were appropriate and meet the requirements of the relevant accounting standard.

Key observations We have no observations that impact on our audit in respect of the amounts and disclosures related to revenue recognised as it relates to the adoption of IFRS 15.

Independent Auditor's Report continued

to the Members of Greencore Group plc

Exceptional Items

Key audit matter description As described in Note 1 (accounting policies, judgement and estimates) and Note 7 (exceptional items) the Group classified a gain of £25.9m (2018: loss £51.7m) as an exceptional item (comprising of a loss on continuing operations of £30m and a gain on discontinued operations of £55.9m). The gain resulted from the disposal of the US business.

The Group has identified and presented a significant amount of items as exceptional in the financial year ended 27 September 2019 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 in line with the stated accounting policy.

The Audit Committee's discussion of this key audit matter is set out on page 94.

How the scope of our audit responded to the key audit matter We obtained and documented our understanding of the process Directors undertook to identify and present exceptional items and testing the design and determined the implementation of the relevant controls therein.

We challenged the classification of transactions as exceptional items in accordance with the Group and Company's accounting policy, whilst also, challenging whether the accounting policy for exceptional items is appropriate and is consistent with previous periods.

We evaluated the completeness and accuracy of disclosures in the Group's financial statements for the financial year ended 27 September 2019 against requirements under IFRS and Irish Company Law. Our work focused on items of income or expense that could impact the quality of earnings.

Key observations We have no observations that impact on our audit in respect of the amounts and disclosures related to exceptional items.

Acquisitions accounting

Key audit matter description As described in Note 1 (accounting policies, judgement and estimates) and Note 9 (acquisition of undertakings), the Group completed the acquisition of Freshtime (UK) Limited on the 3 of September 2019 for consideration of £56.2m. The transaction has been accounted for in line with IFRS 3 "Business Combinations" and resulted in customer related intangibles of £17.5m and goodwill of £38.7m.

This acquisition included intangible assets and goodwill. Intangible assets recognised by the Group include customer relationships. Valuing these intangible assets is a subjective process requiring a high level of estimation and judgement by the Directors. Therefore, we have identified a key audit matter in relation to the completeness and valuation of separately identifiable intangible assets recognised upon acquisition.

The Audit Committee's discussion of this key audit matter is set out on page 94.

How the scope of our audit responded to the key audit matter In order to address this key audit matter we have completed audit procedures including:

- assessed the design and determined the implementation of key relevant controls which relate to the completeness and valuation of the identifiable intangible assets;
- engaging our valuation specialist to assist the audit team in assessing the completeness and challenging key valuation assumptions such as the discount rate;
- challenging Director's key assumptions regarding the useful life of the contracts and the resulting amortisation period;
- evaluated the completeness and accuracy of the disclosures in relation to the acquisition and whether they were appropriate and meet the requirements of the relevant accounting standards; and
- assessed whether the accounting treatment was in line with IFRS 3.

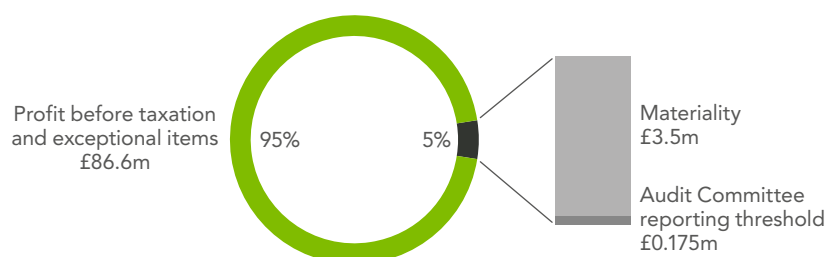
Key observations We have no observations that impact on our audit in respect of the amounts and disclosures related to the acquisition of Freshtime (UK) Limited.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

The materiality for the Group that we used in the current year was £3.5m which was determined on the benchmark of profit before taxation from continuing operations and before exceptional items representing 4.0% of the benchmark. We have considered the profit before taxation from continuing operations and before exceptional items to be the appropriate benchmark for determining materiality because it is the most important measure for users of the Group's financial statements. In 2018, the predecessor auditor determined materiality at £3m, on the basis of 3% of the Group's profit before taxation excluding the impact of the exceptional costs.



The materiality for the Company that we used in the current year was £1.75m which was determined on the benchmark of net assets representing 0.35% of the benchmark. As a non trading company it does not generate significant revenues but instead incurs costs. Net Assets are of most relevance to users of the financial statements.

In 2018, the predecessor auditor determined materiality at £1.7m, on the basis of 0.11% of the Company's total assets.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £0.175m as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

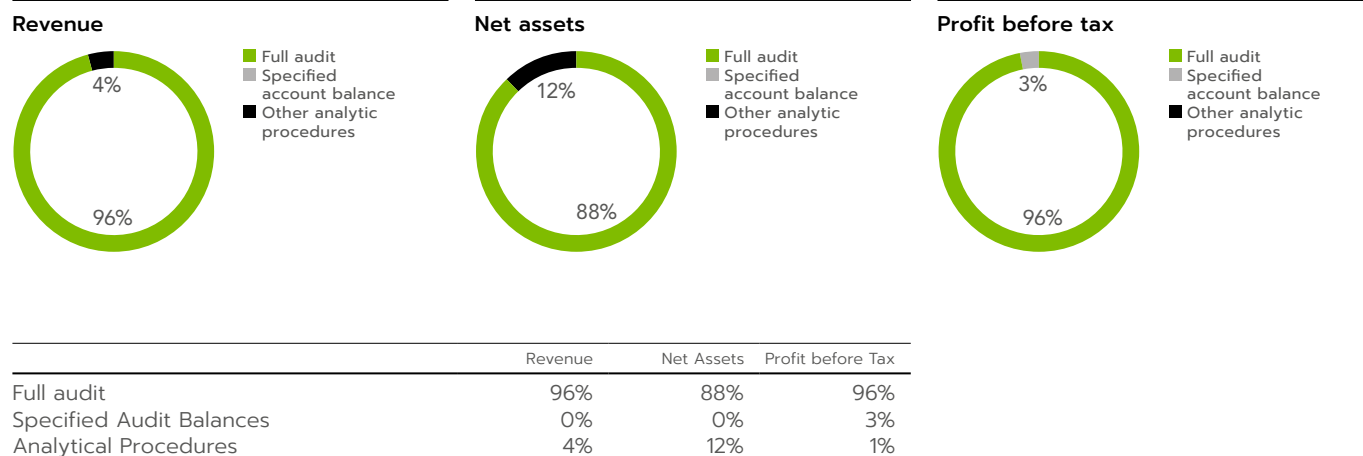
We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit of 28 components which were subject to a full audit and 4 components were subject to specified audit procedures where the extent of our testing was based on our assessment of the associated risks of material misstatement and of the materiality of the components operations to the Group. In 2018, the predecessor auditor subjected 19 components to a full audit and 7 components were subject to specified audit procedures. Discontinued operations in the form of the US disposal were subject to specified procedures.

These components were selected based on the level of coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for all components was executed at levels of materiality applicable to each individual unit which were lower than Group materiality and ranged from £1.050m to £2.4m.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.

Independent Auditor's Report continued to the Members of Greencore Group plc

External Revenue, Net Assets and Profit before Tax % Tested



The Group audit team attended planning meetings at a number of significant component locations, including Ireland and the UK, during the year and participated in audit meetings with other significant components and a number of non significant components.

In addition to our planning meetings, we sent detailed instructions to our component audit teams, included them in our team briefings, discussed their risk assessment, attended client planning and closing meetings, and reviewed their audit working papers.

Other information

The Directors are responsible for the other information. 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider 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 and the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the 2018 UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the 2018 UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the 2018 UK Corporate Governance Code.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may be reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This 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 this report, or for the opinions, we have formed.

Independent Auditor's Report continued to the Members of Greencore Group plc

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The Company statement of financial position is in agreement with the accounting records.
- In our opinion the information given in those parts of the Directors' report as specified for our review is consistent with the financial statements and has been prepared in accordance with the Companies Act 2014.

Corporate Governance Statement

We report, in relation to information given in the Corporate Governance Statement on pages 52 to 61 that:

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 of the Companies Act 2014 is consistent with the Company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014. Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.
- In our opinion, based on the work undertaken during the course of the audit, the Corporate Governance Statement contains the information required by Regulation 6(2) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended); and
- In our opinion, based on the work undertaken during the course of the audit, the information required pursuant to section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in those parts of the Directors' report that have been specified for our review.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 (as amended) for the financial year ended 27 September 2019. We have nothing to report in this regard.

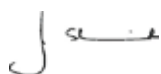
We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Other matters, which we are required to address

Greencore Group plc appointed us on 29 January 2019 to audit the financial statements for the financial year ended 27 September 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one financial year, covering the financial year ending 27 September 2019.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the Company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.



James Schmidt

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Dublin, Ireland

25 November 2019

Group Income Statement

year ended 27 September 2019

		2019			2018		
	Notes	Pre- exceptional £m	Exceptional (Note 7) £m	Total £m	Pre- exceptional £m	Exceptional (Note 7) £m	Total £m
Continuing operations							
Revenue	2	1,446.1	–	1,446.1	1,498.5	–	1,498.5
Cost of sales		(972.4)	–	(972.4)	(1,023.0)	–	(1,023.0)
Gross profit		473.7	–	473.7	475.5	–	475.5
Operating costs, net	3	(368.2)	(4.8)	(373.0)	(370.9)	(52.2)	(423.1)
Group Operating Profit before acquisition related amortisation							
		105.5	(4.8)	100.7	104.6	(52.2)	52.4
Amortisation of acquisition related intangibles		(0.9)	–	(0.9)	(2.6)	–	(2.6)
Group Operating Profit		104.6	(4.8)	99.8	102.0	(52.2)	49.8
Finance income	8	0.8	–	0.8	0.2	–	0.2
Finance costs	8	(19.7)	(25.4)	(45.1)	(33.1)	–	(33.1)
Share of profit of associates after tax	10	0.9	–	0.9	0.9	–	0.9
Profit before taxation		86.6	(30.2)	56.4	70.0	(52.2)	17.8
Taxation	11	(13.2)	0.2	(13.0)	(13.0)	7.8	(5.2)
Profit for the period from continuing operations		73.4	(30.0)	43.4	57.0	(44.4)	12.6
Discontinued operations							
Result from discontinued operations	33	8.9	55.9	64.8	31.2	(7.3)	23.9
Profit for the financial year	4	82.3	25.9	108.2	88.2	(51.7)	36.5
Attributable to:							
Equity shareholders		80.1	25.9	106.0	85.5	(51.7)	33.8
Non-controlling interests	28	2.2	–	2.2	2.7	–	2.7
		82.3	25.9	108.2	88.2	(51.7)	36.5
Earnings per share (pence) – continuing operations							
Basic earnings per share	12			7.7			1.4
Diluted earnings per share	12			7.7			1.4
Earnings per share (pence) – total							
Basic earnings per share	12			19.9			4.8
Diluted earnings per share	12			19.9			4.8

Group Statement of Comprehensive Income

year ended 27 September 2019

	Notes	2019 £m	2018 £m
Items of comprehensive income taken directly to equity for continuing and discontinued operations			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on Group legacy defined benefit pension schemes	5	(13.3)	24.3
Tax credit/(charge) on Group legacy defined benefit pension schemes	11	2.9	(4.5)
		(10.4)	19.8
Items that may subsequently be reclassified to profit or loss:			
Currency translation adjustment		10.3	15.4
Translation reserve transferred to Income Statement on discontinued operations		(24.5)	–
Hedge of net investment in foreign currency subsidiaries		–	(10.6)
Net investment hedge transferred to Income Statement for the year		22.3	–
Cash flow hedges:			
fair value movement taken to equity		0.2	4.1
transfer to Income Statement for the year		0.3	5.9
		8.6	14.8
Net (expense)/ income recognised directly within equity		(1.8)	34.6
Profit for the financial year		108.2	36.5
Total comprehensive income for the financial year		106.4	71.1
Attributable to:			
Equity shareholders		104.2	68.4
Non-controlling interests		2.2	2.7
Total comprehensive income for the financial year		106.4	71.1
Attributable to:			
Continuing operations		49.8	27.4
Discontinued operations		56.6	43.7
Total comprehensive income for the financial year		106.4	71.1

Group Statement of Financial Position

at 27 September 2019

	Notes	2019 €m	2018 €m
ASSETS			
Non-current assets			
Goodwill and intangible assets	14	483.3	425.3
Property, plant and equipment	15	332.5	323.0
Investment property	16	5.8	6.3
Investment in associates	10	1.2	1.3
Retirement benefit assets	26	36.4	15.3
Derivative financial instruments	23	5.5	0.5
Deferred tax assets	11	37.1	41.7
Total non-current assets		901.8	813.4
Current assets			
Inventories	17	45.9	39.1
Trade and other receivables	18	173.8	181.0
Derivative financial instruments	23	—	0.3
Cash and cash equivalents	20	41.6	37.0
Current tax receivable		0.7	—
Assets held for sale	33	—	944.7
Total current assets		262.0	1,202.1
Total assets		1,163.8	2,015.5
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	27	4.5	7.1
Share premium		0.1	650.8
Reserves		294.8	79.3
		299.4	737.2
Non-controlling interests	28	6.4	6.4
Total equity		305.8	743.6
LIABILITIES			
Non-current liabilities			
Borrowings	21	330.1	537.9
Derivative financial instruments	23	3.3	13.4
Retirement benefit obligations	26	128.4	104.6
Other payables	19	3.7	3.7
Provisions	25	6.7	8.9
Deferred tax liabilities	11	6.9	4.2
Total non-current liabilities		479.1	672.7
Current liabilities			
Borrowings	21	—	0.2
Derivative financial instruments	23	0.3	0.1
Trade and other payables	19	358.4	377.9
Provisions	25	5.5	6.7
Current tax payable		14.7	11.3
Liabilities directly associated with assets held for sale	33	—	203.0
Total current liabilities		378.9	599.2
Total liabilities		858.0	1,271.9
Total equity and liabilities		1,163.8	2,015.5

Gary Kennedy
Director

Eoin Tonge
Director

Group Statement of Cash Flows

year ended 27 September 2019

	Notes	2019 £m	2018 £m
Profit before taxation		56.4	17.8
Finance income	8	(0.8)	(0.2)
Finance costs	8	19.7	33.1
Share of profit of associates (after tax)	10	(0.9)	(0.9)
Exceptional items	7	30.2	52.2
Continuing Operating Profit (pre-exceptional)		104.6	102.0
Discontinued Operating Profit (pre-exceptional)	33	9.1	30.4
Operating Profit (pre-exceptional)		113.7	132.4
Depreciation of property, plant and equipment	15	32.9	47.3
Amortisation of intangible assets	14	4.5	25.3
Employee share-based payment expense		3.6	1.6
Contributions to legacy defined benefit pension scheme	26	(16.0)	(15.1)
Working capital movement	29	(22.8)	(15.9)
Other movements		0.8	(3.2)
Net cash inflow from operating activities (pre-exceptional)		116.7	172.4
Cash outflow related to exceptional items	7	(9.6)	(15.0)
Interest paid		(16.9)	(26.7)
Tax paid		(3.5)	(0.9)
Net cash inflow from operating activities		86.7	129.8
Cash flow from investing activities			
Dividends received from associates	10	1.0	0.8
Purchase of property, plant and equipment		(39.6)	(60.5)
Purchase of intangible assets		(4.6)	(3.0)
Acquisition of undertakings	9	(56.2)	–
Disposal of undertakings	33	811.9	–
Disposal of investment property	16	0.5	–
Net cash inflow/(outflow) from investing activities		713.0	(62.7)
Cash flow from financing activities			
Proceeds from issue of shares		0.1	0.2
Ordinary shares purchased – own shares		(0.6)	(2.0)
Capital return via tender offer	12	(509.0)	–
Drawdown of bank borrowings	22	67.0	–
Repayment of bank borrowings	22	(210.0)	(9.6)
Repayment of non-bank borrowings	22	(63.1)	(1.3)
Repayment of private placement notes	22	(14.6)	–
Termination of swaps		(12.6)	–
Decrease in finance lease liabilities	22	(0.4)	–
Dividends paid to equity holders of the Company		(50.3)	(35.7)
Dividends paid to non-controlling interests	28	(2.2)	(1.5)
Net cash outflow from financing activities		(795.7)	(49.9)
Net increase in cash and cash equivalents		4.0	17.2
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at beginning of year	20	37.0	19.8
Translation adjustment	22	0.6	–
Increase in cash and cash equivalents	22	4.0	17.2
Cash and cash equivalents at end of year	20	41.6	37.0

Group Statement of Changes in Equity

year ended 27 September 2019

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
At 28 September 2018	71	650.8	105.1	(25.8)	737.2	6.4	743.6
IFRS 9 transition adjustment	–	–	–	(0.9)	(0.9)	–	(0.9)
At 28 September 2018	71	650.8	105.1	(26.7)	736.3	6.4	742.7
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	10.3	–	10.3	–	10.3
Translation reserve transferred to income statement on discontinued operations	–	–	(24.5)	–	(24.5)	–	(24.5)
Net investment hedge transferred to income statement	–	–	22.3	–	22.3	–	22.3
Actuarial loss on Group legacy defined benefit pension schemes	–	–	–	(13.3)	(13.3)	–	(13.3)
Tax charge on Group legacy defined benefit pension schemes	–	–	–	2.9	2.9	–	2.9
Cash flow hedge fair value movement taken to equity	–	–	0.2	–	0.2	–	0.2
Cash flow hedge transferred to Income Statement	–	–	0.3	–	0.3	–	0.3
Profit for the financial year	–	–	–	106.0	106.0	2.2	108.2
Total recognised income and expense for the financial year	–	–	8.6	95.6	104.2	2.2	106.4
Employee share-based payments expense	–	–	3.6	–	3.6	–	3.6
Tax on share-based payments	–	–	–	0.3	0.3	–	0.3
Exercise, lapse or forfeit of share-based payments	–	0.1	(3.0)	2.3	(0.6)	–	(0.6)
Shares acquired by Employee Benefit Trust ^(A)	–	–	(0.9)	0.3	(0.6)	–	(0.6)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	–	0.8	(0.8)	–	–	–
Share capital reduction ^(C)	–	(650.8)	–	650.8	–	–	–
Capital return via tender offer ^(D)	(2.6)	–	2.6	(509.0)	(509.0)	–	(509.0)
Dividends	–	–	–	(34.8)	(34.8)	(2.2)	(37.0)
At 27 September 2019	4.5	0.1	116.8	178.0	299.4	6.4	305.8

	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	71	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	71	650.8	105.1	(25.8)	737.2	6.4	743.6

Group Statement of Changes in Equity continued

year ended 27 September 2019

Other Reserves

	Share schemes ^(E) £m	Own shares ^(F) £m	Undenominated capital reserve ^(G) £m	Hedging reserve ^(H) £m	Foreign currency translation reserve ^(I) £m	Total £m
At 28 September 2018	4.2	(8.1)	117.8	(1.5)	(7.3)	105.1
Items of income and expense taken directly to equity						
Currency translation adjustment	—	—	—	—	10.3	10.3
Translation reserve transferred to income statement on discontinued operations	—	—	—	—	(24.5)	(24.5)
Net investment hedge	—	—	—	—	22.3	22.3
Cash flow hedge fair value movement taken to equity	—	—	—	0.2	—	0.2
Cash flow hedge transferred to Income Statement	—	—	—	0.3	—	0.3
Total recognised income and expense for the financial year	—	—	—	0.5	8.1	8.6
Employee share-based payments expense	3.6	—	—	—	—	3.6
Exercise, lapse or forfeit of share options	(3.0)	—	—	—	—	(3.0)
Shares acquired by Employee Benefit Trust ^(A)	—	(0.9)	—	—	—	(0.9)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	—	0.8	—	—	—	0.8
Capital return via tender offer ^(D)	—	—	2.6	—	—	2.6
At 27 September 2019	4.8	(8.2)	120.4	(1.0)	0.8	116.8
	Share schemes ^(E) £m	Own shares ^(F) £m	Undenominated capital reserve ^(G) £m	Hedging reserve ^(H) £m	Foreign currency translation reserve ^(I) £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	—	2.7	—	—	—	2.7
At 28 September 2018	4.2	(8.1)	117.8	(1.5)	(7.3)	105.1

(A) Pursuant to the terms of the Employee Benefit Trust 318,247 (2018: 984,678) shares were purchased during the financial year ended 27 September 2019 at a cost of £0.6m (2018: £2.0m). The nominal value of these shares, on which dividends have not been waived by the Employee Benefit Trust was £0.003m (2018: £0.01m) at the date of purchase. The Employee Benefit Trust acquired 104,620 (2018: 56,858) shares in the Group with a combined value of £0.3m (2018: £0.2m) and a nominal value at the date of purchase of £0.001m (2018: £0.0006m) through the utilisation of dividend income.

(B) During the year 412,717 (2018: 1,248,039) shares with a nominal value at the date of transfer of £0.004m (2018: £0.01m) at a cost of £0.8m (2018: £2.7m) were transferred to beneficiaries of the Annual Bonus Plan, and the Performance Share Plan and the Executive Share Option Scheme.

(C) In November 2018, the High Court approved a capital reduction for the amount equal to the Share Premium of the Company of £650.8m which has been recycled to retained earnings.

(D) The Group returned £509.0m to shareholders by way of a tender offer, executed on 31 January 2019. The Group acquired 261,025,641 Ordinary Shares in the Company on the London Stock Exchange, at the tender offer Price of £1.95 per Ordinary Share and the shares were subsequently cancelled. The Ordinary Shares acquired represented approximately 36.92% of the voting rights attributable to the Ordinary Shares immediately prior to acquisition. The total Ordinary Shares in issue at 27 September 2019 was 446,006,581.

(E) The share-scheme 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.

(F) 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 employee share award scheme when the relevant conditions of the scheme are satisfied.

(G) The undenominated capital reserve represents the nominal cost of cancelled shares and the amount transferred to reserves as a result of renominating the share capital of Greencore Group plc on conversion to the euro.

(H) 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.

(I) 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 27 September 2019

1. Group Statement of Accounting Policies

General information

Greencore Group plc ('the Company') together with its subsidiaries ('the Group') is a manufacturer of convenience foods in the UK. The Company is publicly limited, incorporated and domiciled in the Republic of Ireland under registration number 170116 and the Company Shares are publicly traded. The address of its registered office is 2 Northwood Avenue, Northwood Business Park, Santry, Dublin 9, DO9 X5N9.

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 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 periods commencing on or after 29 September 2018.

The accounting policies applied in the preparation of the Group Financial Statements for the year ended 27 September 2019 are set out below.

Going Concern

The directors, after making enquires have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future having consideration for all risks including Brexit. As part of these resources, the Group had undrawn committed bank facilities of £175.0m as at 27 September 2019. For these reasons, they continue to adopt the going concern basis in preparing the Group Financial Statements.

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 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 27 September 2019. Comparatives are for the 52 week period ended 28 September 2018. The Statement of Financial Position for 2019 and 2018 have been prepared as at 27 September 2019 and 28 September 2018 respectively.

The profit attributable to equity shareholders in the Financial Statements of the Parent Company was £93.5m (2018: profit of £94.5m).

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.

Following the disposal of Greencore's US business in November 2018, the results of the business have been presented within profit from discontinued operations in the Group Income Statement.

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 considers 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 labels these items collectively as 'exceptional items'.

Notes to the Group Financial Statements continued

year ended 27 September 2019

1. Group Statement of Accounting Policies continued

Critical Accounting Estimates and Judgements continued

Critical Accounting Judgements continued

Accounting for exceptional items (Note 7) continued

Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Group believes would give rise to exceptional items for separate disclosure are outlined in the exceptional accounting policy on page 129. 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 that provisions for current and deferred taxes require significant judgement in areas where the treatment of certain items may be the subject of debate with tax authorities. The Group provides for current and deferred taxes on the basis of the most likely 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 the jurisdictions where the Group is subject to income taxes and to provide for current and deferred taxes accordingly. The Group considers this to be a significant judgemental area, due to 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. The Group performed its assessment of the recovery of deferred tax assets at 27 September 2019, taking into account the Group's actual and historic performance, the impact of tax legislation enacted at the Financial Position date and the detailed financial forecasts and budgets for the business covering the periods over which the assets are expected to be utilised. Following the disposal of the US business, the Group recognises a deferred tax asset in respect of UK trading losses only. These losses arose in years up to and including the period to September 2013, with the Group utilising losses in every year subsequent to that. The losses have no expiry date and the Group expects to utilise them fully in the foreseeable future.

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 CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes, and are not larger than the operating segments determined in accordance with IFRS 8.

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 over a 30 year valuation period. 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 (Note 25)

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 or legal costs is required when the Group has a legal or constructive obligation with regard to the exit of manufacturing of a Group facility or legacy legal claims. Judgement is required relating to the level of provision required at the reporting date to satisfy the obligation.

Accounting for acquisitions and disposals (Note 9 and Note 33)

When acquiring a business, the Group is required to bring acquired assets and liabilities on to the Group Statement of Financial Position 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 is 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 Financial Position date. In addition, the Group is 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 benefit obligations involves assessments 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 26.

New Standards and Interpretation

The following new standards, interpretations and standard amendments became effective for the Group from 29 September 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was effective for the Group from 29 September 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard introduces new classification and measurement for financial assets, new rules for hedge accounting and a new impairment model for financial assets. The Group has transitioned to the new standard using the modified retrospective transition option and in accordance with the provisions of the new standard, comparative figures have not been restated. The Group's evaluation of the effect of IFRS 9 is outlined below.

The Group has assessed the business models and contractual cashflows which apply to its financial assets and liabilities and classified them into the appropriate IFRS 9 categories. The classification under IFRS 9 did not impact the measurement or carrying amount of financial assets on transition.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than just incurred credit losses. The standard provides a simplified approach as a practical expedient in assessing impairment of trade receivables, which the Group has adopted on transition. The Group assessed its historic credit loss experience on aged trade receivables adjusting for future economic conditions which resulted in a one-off adjustment of £0.9m, increasing the trade receivables impairment provision through retained earnings on 29 September 2018.

The hedge accounting requirements in IFRS 9 are optional. The Group has chosen not to apply the new hedge accounting rules under IFRS 9 and will continue to apply IAS 39. The decision has not impacted how the Group accounts for effective hedges.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was effective for the Group for the reporting period commencing 29 September 2018. The Group adopted the new standard having completed a detailed review of its customer contracts and the new IFRS 15 revenue recognition requirements, resulting in a change to how the Group currently recognises revenue on third party manufactured goods as set out below.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when control of the goods or services underlying the performance obligation is transferred to the customer. The Group's revenue contracts typically include one performance obligation (e.g. the manufacture of sandwiches) with the performance obligation satisfied at a point in time when the control passes to the customer, which is deemed to be either when the goods are dispatched or received by the customer, depending on the individual contract.

Many of the Group's revenue contracts include an element of variable consideration, such as trade discounts, namely in the form of rebate arrangements or other incentives to customers. The arrangements can take the form of volume rebates, marketing fund contributions, promotional fund contributions or lump sum incentives. The Group recognises revenue net of such incentives in the period in which the arrangement applies only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. Volume based rebates are calculated on the Group's estimate of rebates expected to be paid to customers using the 'most likely amount' in line with IFRS 15 requirements, whereas fixed rebates are accounted for as a reduction in revenue over the life of the contract.

In transitioning to IFRS 15, the Group assessed how revenue from the sale of third party manufactured goods is accounted for and whether it was more appropriate to account for revenue on an agency or net basis, versus principal or gross basis. The majority of the Group's contracts for the sale of third party manufactured goods are accounted for on a gross basis. On completion of the assessment, one customer contract in the Irish Ingredients business changed from a principal to agent relationship, on the basis that the Group did not control the goods prior to transfer to the customer. The impact of the change in accounting treatment in the current period is a reduction of £6.9m to reported revenue and costs of goods sold with no impact on net profit. The Group has applied a modified approach on transition to IFRS 15 meaning there has been no restatement to the prior year numbers included in the Group Income Statement.

In accordance with the requirements of IFRS 15, the Group has included additional disclosure on the disaggregation of revenue by product category in Note 2.

Notes to the Group Financial Statements continued

year ended 27 September 2019

1. Group Statement of Accounting Policies continued

Accounting standards not yet adopted

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 greater than a year. The standard will primarily affect the accounting for the Group's operating leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the Group Statement of Financial Position and in the Group Income Statement. It will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities. Given that depreciation is charged on a straight-line basis, but interest reduces over the life of a lease (as it is based on outstanding lease liabilities), the impact on the Group Income Statement will depend on the maturity of the Group's lease portfolio. In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous, instead the Group will perform impairment testing on the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group will apply IFRS 16 from 28 September 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 28 September 2019, with no restatement of comparative information.

The Group has entered into operating leases for a range of assets principally relating to property, plant and equipment including vehicles and distribution fleet. The Group has elected to apply the recognition exemption for both short term and low-value leases.

The Group will apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 28 September 2019 and identified as leases in accordance with IAS 17 and related interpretations. On transition, the Group has also elected to measure the right-of-use assets for certain property leases as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

As detailed in Note 30, the Group's future non-cancellable operating lease commitments are £48.6m and the charge recognised in the income statement for the year ended 27 September 2019 was £11.7m for the continuing business. These amounts provide an indication of the scale of leases held by the Group but exclude the impact of discounting, assessment of the expected term of leases, and exemptions for short term leases and low value leased assets.

The Group's assessment of the impact of adopting IFRS 16 is at an advanced stage. The estimated impact on the Group's results are summarised below, however the actual adjustment on transition could differ from the estimated impact due to changes in underlying assumptions or assessments of the expected term of lease.

Estimated adjustments on transition on 28 September 2019:

- Property, plant and equipment increase of £41m
- Net debt increase of £46m

Estimated impact on the results for the year ended 25 September 2020:

- Profit After Tax is marginal
- EBITDA increase of approximately £13m

IFRIC 23

IFRIC 23 Uncertainty over Income Tax Treatments (effective date: financial year beginning 28 September 2019): This IFRIC clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 Income Taxes. The Group does not expect the adoption of this IFRIC to have a material impact on the Financial Statements.

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material effect on the Financial Statements or they are not currently relevant for 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 intra-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 Financial Position 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 Comprehensive Income reflects the Group's share of any income and expense recognised by the associate outside of profit or loss.

Revenue Recognition

The Group's revenue is primarily derived from the manufacture of convenience food products and all revenue relates to revenue from contracts with customers. The Group's customer contracts typically include one performance obligation, with revenue recognised when the performance obligation is satisfied.

Revenue represents the fair value of the sale of goods and rendering of services to external customers, net of value added tax and volume based rebates in the ordinary course of the Group's activities. Many of the Group's revenue contracts include an element of variable consideration, such as trade discounts, namely in the form of rebate arrangements or other incentives to customers. The arrangements can take the form of volume and fixed rebates, marketing fund contributions, promotional fund contributions or lump sum incentives. The Group recognises revenue net of such incentives in the period in which the arrangement applies, only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. Volume based rebates are calculated on the Group's estimate of rebates expected to be paid to customers using the 'most likely amount' in line with IFRS 15 requirements, whereas fixed rebates are accounted for as a reduction in revenue over the life of the contract.

Revenue is recognised at a point in time, when control of the goods or services are transferred to the customer, which is deemed to be either when the goods are dispatched or received by the customer, depending on individual contracts.

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 Financial Position 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.

Notes to the Group Financial Statements continued

year ended 27 September 2019

1. Group Statement of Accounting Policies continued

Property, Plant and Equipment continued

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.

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 an 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 Financial Position 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 Financial Position. 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, as an exceptional item.

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 combinations' 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 1–7 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 on a straight line basis.

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.

Notes to the Group Financial Statements continued

year ended 27 September 2019

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 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 undertaking 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.

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.

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.

Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, or fair value through other comprehensive income ('FVOCI') or fair value through profit and loss ('FVPL'). The classification is based on the business model for managing the financial asset and the contractual terms of the cashflows. Reclassification of financial assets is required only when the business model for managing those assets changes. Financial assets are derecognised when the Group's contractual rights to the cashflows from the financial assets expire, are extinguished or are transferred to a third party.

Financial liabilities are classified as measured at amortised cost or FVPL. Financial Liabilities are derecognised when the Group's obligations specified in the contracts expire, are discharged or cancelled. 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, the recognition of a new liability which has the result that the difference in the respective carrying amounts is recognised, together with any resulting costs.

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.

Trade Receivables

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost, net of allowance for expected credit loss. Any trade and other receivables included in non-current assets are carried at amortised cost in accordance with the effective interest rate method.

The Group applies the simplified approach to providing for expected credit losses ('ECL') permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. The Group uses an allowance matrix to measure the ECL's of trade receivables based on its credit loss rates. Expected loss rates are based on historical payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward economic factors if there is evidence to suggest these factors will effect the ability of the customer to settle receivables. The Group has determined the ECL default rate using market default risk probabilities with regards its key customers. Balances are written off when the probability of recovery is assessed as being remote.

Trade receivables are derecognised when the Group no longer controls the contractual rights that comprise the receivables, 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 the credit risks and control of the receivable has transferred.

Trade and Other Payables

Trade and other payables are initially recorded at fair value and subsequently at amortised cost. Where the time value of money is material, payables are initially recorded at fair value and subsequently carried at amortised cost.

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 Financial Position date.

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 Financial Position 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 Financial Position 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.

Notes to the Group Financial Statements continued

year ended 27 September 2019

1. Group Statement of Accounting Policies continued

Financial Instruments continued

Derivative Financial Instruments continued

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.

On transition to *IFRS 9 Financial Instruments* from 29 September 2018, the Group elected not to adopt the new hedge accounting requirements under IFRS 9, as permitted under the standard, and continues to account under the hedge accounting requirements of IAS 39.

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.

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 Comprehensive Income or directly in equity, in which case the tax is also recognised in the Statement of Comprehensive Income 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 Financial Position 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 date of the Statement of Financial Position.

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 a number of 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 Financial Position 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 Statement of Financial Position with a corresponding debit or credit to retained earnings through the Statement of Comprehensive Income 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.

Notes to the Group Financial Statements continued

year ended 27 September 2019

1. Group Statement of Accounting Policies continued

Employee Benefits continued

Defined Benefit Pension Plans continued

The defined benefit pension asset or liability in the Group Statement of Financial Position 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 Financial Position 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 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.

Foreign Operations

The Income Statement and Statement of Financial Position 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 Statement of Financial Position;
- 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 Statement of Financial Position 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

The Operating segment is 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 segment 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

Following the disposal of Greencore's US business on 25 November 2018, the Group reviewed its reporting structure to ensure that it continues to reflect the Group's organisational structure and the nature of the financial information reported to and assessed by the Chief Operating Decision Maker ('CODM') as defined by IFRS 8 *Operating Segments*. The CODM has been identified as the Group's Chief Executive Officer. Following the disposal of the US business the Group operates a single operating segment, the Convenience Foods UK & Ireland segment. There has been no change to how the CODM reviews the performance of this segment and allocates resources to it.

Convenience Foods UK & Ireland is the Group's operating segment, which represents its reporting segment. The segment incorporates many UK convenience food categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles and frozen Yorkshire Puddings as well as the Irish ingredients trading businesses. The prior year includes the cakes and desserts categories which were disposed of in FY18.

Revenue earned individually from four customers in Convenience Foods UK & Ireland of £304.0m, £247.5m, £163.3m and £146.9m respectively represent more than 10% of the Group's revenue (2018: Revenue earned individually from two customers in Convenience Foods UK & Ireland of £283.0m and £240.1m respectively represented more than 10% of the Group's revenue).

Notes to the Group Financial Statements continued

year ended 27 September 2019

2. Segment Information continued

	Convenience Foods UK & Ireland	
	2019 £m	2018 £m
Revenue	1,446.1	1,498.5
Group operating profit before exceptional items and amortisation of acquisition related intangible assets	105.5	104.6
Amortisation of acquisition related intangible assets	(0.9)	(2.6)
Exceptional items	(4.8)	(52.2)
Group operating profit	99.8	49.8
Finance income	0.8	0.2
Finance costs	(45.1)	(33.1)
Share of profit of associates after tax	0.9	0.9
Taxation	(13.0)	(5.2)
Results from discontinued operations	64.8	23.9
Profit for the period	108.2	36.5

In line with the new disclosure requirements in IFRS 15 *Revenue from Contracts with Customers*, the following table disaggregates revenue by product categories in the Convenience Foods UK and Ireland reporting segment.

	2019 £m	2018 £m
Revenue		
Food to go categories	962.5	929.4
Other convenience categories	483.6	569.1
Total revenue for Convenience Foods UK & Ireland	1,446.1	1,498.5

Food to go categories include sandwiches, salads, sushi and chilled snacking while the other convenience categories include chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings as well as Irish ingredients trading businesses. The prior year includes the cakes and desserts categories which were disposed of in FY18.

Segment Assets and Liabilities

All assets and liabilities are allocated to the Convenience Foods UK and Ireland segment. As such, an analysis of assets and liabilities has not been included in this disclosure.

Other Segment Information

	Convenience Foods UK & Ireland	
	2019 £m	2018 £m
Capital expenditure	43.9	51.6
Depreciation	32.9	31.2
Amortisation of computer software and other intangibles	3.6	4.2
Amortisation of acquisition related intangible assets – customer related	0.9	2.6
Non-current assets (excluding derivative financial instruments, retirement benefit assets and deferred tax assets)	822.8	755.9

Geographical Analysis

	Ireland		UK		Convenience Foods UK & Ireland	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Revenue	65.9	68.7	1,380.2	1,429.8	1,446.1	1,498.5
Capital expenditure	0.1	0.1	43.8	51.5	43.9	51.6
Non-current assets	14.4	14.7	808.4	741.2	822.8	755.9

3. Operating Costs, Net

	2019 £m	2018 £m
Continuing operations		
Distribution costs	69.4	68.0
Administrative expenses	295.3	299.2
Research and development	2.4	3.0
Other operating costs	1.6	1.2
Other operating income	(0.5)	(0.5)
Total operating costs pre-exceptional, net	368.2	370.9
Exceptional charge (Note 7)	4.8	52.2
Total operating costs, net	373.0	423.1

4. Result for the Financial Year

The result for the Group for the financial year has been arrived at after charging/(crediting) the following amounts:

	2019 £m	2018 £m
Depreciation:		
Owned assets	32.9	47.2
Assets held under finance lease	—	0.1
	32.9	47.3
Amortisation of intangible assets	4.5	25.3
Operating lease rentals:		
Premises, plant and equipment*	13.9	25.5
Rental income from investment properties	(0.1)	(0.1)
	£'000	£'000
Auditor's remuneration		
Fees paid to the statutory audit firm:		
Audit of the Group financial statements	750	819
Other assurance services	—	53
Other non-audit services	—	471
Total	750	1,343

* The operating lease rentals for the year ended 27 September 2019 include two months of operating lease rental costs for the US Business.

Directors' remuneration is shown in the Report on Directors' Remuneration and in Note 34.

In the current year there were no non-audit fees. The prior year non-audit service fee of £0.5m related to consultancy fees in association with the disposal of the US business, paid to the previous auditor.

Notes to the Group Financial Statements continued

year ended 27 September 2019

5. Employment

The average monthly number of persons (including Executive Directors) employed by the Group for both continuing and discontinued operations during the year was:

	2019 Number	2018 Number
Production	8,226	10,718
Distribution	1,158	1,178
Administration	2,298	2,738
	11,682	14,634

The staff costs for the year for the above employees were:

	2019 £m	2018 £m
Wages and salaries	264.5	372.5
Social insurance costs	22.7	32.2
Employee share-based payment expense (Note 6)	3.6	1.6
Pension costs – defined contribution plans (Note 26)	9.6	9.6
	300.4	415.9
Legacy defined benefit interest cost (Note 26)	2.5	3.4
	302.9	419.3

Total staff costs of continuing operations capitalised during the year were £4.7m (2018: £4.0m).

Actuarial gain on Group legacy defined benefit schemes recognised in the Group Statement of Comprehensive Income:

	2019 £m	2018 £m
Return on plan assets (Note 26)	51.6	2.5
Actuarial (loss)/gains arising on scheme liabilities (Note 26)	(64.9)	21.8
Total (loss)/gain included in the Statement of Comprehensive Income	(13.3)	24.3

6. Share-Based Payments

The Group operates a number of employee share award 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 granted as set out in the standard. The charge incurred relating to these awards 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 forfeited 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 (2018: £0.8m). 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 2018 was £1.81 (2018: £2.05).

535,760 and 652,571 share awards were granted to senior executives of the Group under the Annual Bonus Plan on 1 December 2018 and 1 December 2017 respectively.

The following table illustrates the number of, and movements in, share awards during the year under the plan:

	2019 Number outstanding	2018 Number outstanding
At beginning of year	1,543,189	1,612,706
Granted	535,760	652,571
Vested	(325,655)	(573,045)
Forfeited	(412,796)	(149,043)
At end of year	1,340,498	1,543,189
Exercisable at end of year	–	–

During the year, the Group cash settled a number of deferred share awards following the disposal of the US business for £0.3m. These shares have been classified as forfeited.

Awards will be granted to senior executives of the Group under the Annual Bonus Plan in respect of the year ended 27 September 2019. A charge amounting to £0.2m (2018: £0.1m) relating to awards to Executive Directors and £0.1m (2018: £0.2m) relating to awards to other senior executives has been included in the Group Income Statement in respect of the estimated 2019 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 (TSR) 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. Share awards are forfeited 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 and these measures will be equally weighted when assessing vesting conditions. 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 as described further in this note. A further description of the scheme can be found in the Report on Directors' Remuneration. A charge amounting to £2.2m (2018: £0.1m) was included in the Group Income Statement in the year ended 27 September 2019 relating to these awards for all Performance Share Plan awards granted from December 2016 onwards.

The grant price of shares awarded in December 2018 was a weighted average price of £1.81 (granted in December 2017: £2.16).

The following table illustrates the number of, and movements in, share awards during the year under the plan:

	2019 Number outstanding	2018 Number outstanding
At beginning of year	8,553,037	5,406,319
Granted	2,871,462	4,234,819
Vested	(12,451)	(473,887)
Expired	(1,631,708)	–
Forfeited	(3,438,126)	(614,214)
At end of year	6,342,214	8,553,037
Exercisable at end of year	–	–

During the year the Group cash settled a number of performance share awards following the disposal of the US business for £0.3m. These shares have been classified as forfeited.

Notes to the Group Financial Statements continued

year ended 27 September 2019

6. Share-Based Payments continued

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 year savings contracts and awards 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 awards was £0.6m (2018: £0.7m). Grant date fair value was arrived at by applying a trinomial model, which is a lattice option-pricing model.

During the year ended 27 September 2019, Sharesave Scheme awards were granted over 2,126,954 shares (UK) and 44,224 shares (Ireland), which will ordinarily be exercisable at an exercise price of £1.67 and €1.75 per share respectively, during the period 1 September 2022 to 28 February 2023. The weighted average fair value of share awards granted during the year ended 27 September 2019 was £0.57 (UK) and €0.68 (Ireland).

During the year ended 28 September 2018, Sharesave Scheme awards 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 awards granted during the year ended 28 September 2018 was £0.49 (UK) and €0.57 (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:

	2019		2018	
	Number outstanding	Weighted average exercise price £	Number outstanding	Weighted average exercise price £
At beginning of year	5,399,312	1.69	4,948,146	2.04
Granted	2,126,954	1.67	3,408,536	1.48
Exercised	(53,806)	1.87	(117,632)	1.87
Expired	(785,567)	1.76	(726,281)	2.05
Forfeited	(562,734)	1.81	(2,113,457)	2.04
At end of year	6,124,159	1.66	5,399,312	1.69
Exercisable at end of year	378,971	2.17	236,266	2.08

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 27 September 2019					
£1.01 – £2.00	5,745,188	2.48	1.63	–	–
£2.01 – £3.00	378,971	0.26	2.17	378,971	2.17
	6,124,159	2.34	1.66	378,971	2.17
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

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:

	2019		2018	
	Number outstanding	Weighted average exercise price €	Number outstanding	Weighted average exercise price €
At beginning of year	140,233	1.88	90,596	2.43
Granted	44,224	1.75	107,568	1.57
Exercised	—	—	(3,318)	2.18
Expired	(25,094)	2.74	(8,299)	2.18
Forfeited	(21,381)	1.82	(46,314)	2.16
At end of year	137,982	1.69	140,233	1.88
Exercisable at end of year	7,006	2.58	25,094	2.74

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 27 September 2019					
€1.01 – €2.00	128,748	2.62	1.63	—	—
€2.01 – €3.00	9,234	0.51	2.47	7,006	2.58
	137,982	2.48	1.69	7,006	2.58
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

Executive Share Option Scheme

The Executive Share Option Scheme expired in 2011 and no further options have been granted under this scheme. During the prior 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 under the plan:

	2019		2018	
	Number outstanding	Weighted average exercise price €	Number outstanding	Weighted average exercise price €
At beginning of year	—	—	160,061	0.69
Exercised	—	—	(160,061)	0.69
At end of year	—	—	—	—

Notes to the Group Financial Statements continued

year ended 27 September 2019

6. Share-Based Payments continued

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 Performance Share Plans up to and including December 2016 are valued at a fair value equal to the share price on the grant date.

Awards granted from 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.

	2019 PSP TSR	2018 PSP TSR
Dividend yield (%)	2.84%	2.98%
Expected volatility (%)	35.12%	29.42%
Risk-free interest rate (%)	0.75%	0.48%
Expected life of option (years)	3	3
Share price at grant (£)	£1.81	£2.05
Fair value (£)	£0.22	£0.22

Sharesave Schemes

The ShareSave Schemes equity settled options are also valued at the fair value on grant date in July 2019 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.

	2019		2018	
	UK ShareSave	Ireland ShareSave	UK ShareSave	Ireland ShareSave
Dividend yield (%)	2.83%	2.83%	2.98%	2.98%
Expected volatility (%)	35.18%	35.18%	32.29%	32.29%
Risk-free interest rate (%)	0.50%	(0.51%)	0.76%	(0.24%)
Expected life of option (years)	3	3	3	3
Share price at grant (£/€)	£2.08	€2.33	£1.87	€2.09
Exercise price (£/€)	£1.67	€1.75	£1.48	€1.57
Fair value (£/€)	£0.57	€0.68	£0.49	€0.57

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 £1.61–£2.32 (2018: £1.27–£2.30). The average share price during the 2019 financial year was £2.04 (2018: £1.83).

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 Group 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:

		2019		Total £m
		Continuing operations £m	Discontinued operations £m	
Guaranteed Minimum Pension ('GMP') equalisation	(A)	(3.0)	–	(3.0)
Transaction costs	(B)	(1.8)	–	(1.8)
Network rationalisation and optimisation	(C)	0.0	–	0.0
Debt restructuring post disposal of Greencore's US business	(D)	(25.4)	–	(25.4)
Profit on disposal of Greencore's US business	(E)	–	55.9	55.9
		(30.2)	55.9	25.7
Tax on exceptional items		0.2	–	0.2
Total exceptional items		(30.0)	55.9	25.9

		2018		Total £m
		Continuing operations £m	Discontinued operations £m	
Network rationalisation and optimisation	(F)	(21.2)	(23.6)	(44.8)
Exit from Cakes and Desserts	(G)	(13.9)	–	(13.9)
Reorganisation and integration costs	(H)	(15.9)	(3.0)	(18.9)
Pre-commissioning and start up costs	(I)	(1.2)	–	(1.2)
Transaction costs	(J)	–	(1.3)	(1.3)
		(52.2)	(27.9)	(80.1)
Tax on exceptional items		7.8	–	7.8
Tax credit	(K)	–	20.6	20.6
Total exceptional items		(44.4)	(7.3)	(51.7)

Year Ended 27 September 2019

(A) GMP equalisation

Continuing Operations

Due to a ruling in the High Court of Justice of England and Wales in October 2018, pension schemes are under a duty to equalise benefits for all members, regardless of gender, in relation to minimum pension benefits. At 29 March 2019, an estimate was made of the impact of equalisation for the Group, which increased the legacy defined benefit pension scheme liabilities in the UK by £3.0m with a corresponding charge to exceptional items. Whilst guidance has been issued by the Department of Work and Pensions, legislative provisions regarding the change are still being finalised. Therefore in the continued absence of guidance, the Group has maintained the estimate of £3.0m as at 27 September 2019.

(B) Transaction Costs

Continuing Operations

In the year, the Group recognised a charge of £1.8m, comprising of transaction costs in relation to the acquisition of Freshtime UK Limited. Details of the acquisition are set out in Note 9.

(C) Network Rationalisation and Optimisation

Continuing Operations

Following the completion of the rationalisation and optimisation of the Group's ready meals network in the UK, the Group assessed the recoverability of related assets at the year end 27 September 2019. The impairment testing indicated a reversal of an impairment which had been recognised in the prior year relating to land and buildings and plant and machinery totalling £1.1m and £3.4m respectively. In addition the Group recognised an impairment of plant and equipment in the network with a total value of £4.5m (Note 15).

Notes to the Group Financial Statements continued

year ended 27 September 2019

7. Exceptional Items continued

(D) Debt Restructuring Post Disposal of Greencore's US Business

Continuing Operations

Following the disposal of Greencore's US business in November 2018, the Group reshaped its debt and associated derivative portfolio to reflect the removal of US dollar assets from the business. This resulted in a £25.4m exceptional charge in the period comprising the recycling of the net investment hedge of £22.3m including foreign exchange differences arising on debt and derivatives relating to US dollar exposure, and the cash cost of terminating a US dollar related swap. It also includes the recycling of interest rate swaps of £1.0m which became ineffective during the period from the date of disposal of Greencore's US business and the date of the capital return via the tender offer. In addition, the charge includes the write off of capitalised finance fees on debt facilities of £2.1m following the cancellation and refinancing of debt facilities following the disposal.

(E) Profit on Disposal of Greencore's US Business

Discontinued Operations

During the year, the Group completed the disposal of Greencore's US business to Hearthside Food Solutions LLC. A profit of £55.9m was recognised which included transaction and separation costs of £17.9m. Details of the disposal are set out in Note 33.

Year Ended 28 September 2018

(F) Network Rationalisation and Optimisation

Continuing Operations

In the prior year, the Group recognised a charge of £21.2m relating to the rationalisation and optimisation of its ready 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 comprised an impairment of property, plant and equipment of £15.6m, an impairment of goodwill of £1.4m (Note 14) and a provision for other costs associated with the exit.

Discontinued Operations

In the prior 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.

(G) 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.

(H) Reorganisation and Integration Costs

Continuing Operations

In the prior year, the Group recognised a charge of £15.9m relating to the implementation of its streamlining and efficiency programme across Convenience Foods UK & Ireland.

Discontinued Operations

In the prior 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.

(I) Pre-Commissioning and Start Up Costs

Continuing Operations

In the prior 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.

(J) Transaction Costs

Discontinued Operations

In the prior year, the Group recognised a £1.3m charge comprising of transactions costs associated with the disposal of Greencore US which completed in November 2018.

(K) Tax Credit

Discontinued Operations

In the prior year, the Group recognised a tax credit of £20.6m on the revaluation of tax assets and liabilities as a result of the taxation rate change in the US.

Cash Flow on Exceptional Items

The total net cash outflow during the year in respect of exceptional items was £9.6m (2018: £15.0m), of which £8.7m was in respect of prior year exceptional charges. The remaining current year exceptional cash flow includes the transaction costs on the acquisition of Freshtime UK Limited.

8. Finance Costs and Finance Income

	2019 £m	2018 £m
Continuing operations		
Finance Income		
Interest on bank deposits	(0.8)	(0.2)
Total finance income recognised in the Income Statement	(0.8)	(0.2)
Continuing operations		
Finance Costs		
Net finance costs on interest bearing cash and cash equivalents, borrowings and other financing costs	15.0	26.3
Net pension financing charge (Note 26)	2.5	3.4
Interest on obligations under finance leases	–	0.1
Unwind of discount on liabilities	0.1	–
Change in fair value of derivatives and related debt adjustment	0.9	3.4
Foreign exchange on inter-company and external balances where hedge accounting is not applied	1.2	(0.1)
Total finance expense recognised in the Income Statement	19.7	33.1
Total net finance expense recognised in the Income Statement	18.9	32.9
Continuing operations		
Exceptional costs		
Debt restructuring post disposal of Greencore's US business	25.4	–
Total exceptional finance expense recognised in the Income Statement	25.4	–
Total finance expense recognised in the Income Statement	44.3	32.9
Recognised Directly in Equity for continuing operations		
Currency translation adjustment	10.3	15.4
Hedge of net investment in foreign operations	–	(10.6)
Effective portion of changes in fair value of cash flow hedges	0.2	4.1
	10.5	8.9

Interest costs capitalised in the year were £0.0m (2018: £0.4m).

9. Acquisition of Undertakings

On 3 September 2019, the Group acquired 100% of Freshtime UK Limited ('Freshtime'). Freshtime is a well-established supplier of meal salads, chilled snacking and prepared produce in the UK. Its products are distributed primarily in the grocery and convenience channels and the business operates from a single facility in Boston, Lincolnshire.

The principal factors contributing to the recognition of goodwill on the acquisition of Freshtime is the expected realisation of future growth potential with new and existing customers in fast growing categories, the synergies that will be achieved by the enlarged group, and a highly skilled management team. The goodwill is not deductible for tax purposes. The acquisition resulted in the recognition of a customer related intangible asset of £17.5m and goodwill of £38.7m. The intangible asset relates to key customer relationships and is considered to have a remaining useful life of not more than 7 years.

As part of the acquisition the Group acquired trade receivables with a fair value of £11.7m (which includes £5.9m of intercompany trade receivables with Group undertakings). Management estimate that acquired receivables will be collected in full. Acquisition related costs of £1.8m were charged to exceptional items in the Income Statement for the year ended 27 September 2019.

The post acquisition impact of the Freshtime acquisition on the Group was to increase revenue by £2.3m and Group profit by £0.3m. If the acquisition had occurred at the beginning of the Group's financial year, revenue (excluding intercompany revenue with Group undertakings) would have been £36.0m higher and the profit for the year would have been £4.7m higher.

Notes to the Group Financial Statements continued

year ended 27 September 2019

9. Acquisition of Undertakings continued

The provisional fair value of the assets acquired, determined in accordance with IFRS, were as follows:

	2019 £m
Assets	
Intangible assets	17.5
Property, plant and equipment	5.3
Inventory	1.2
Current tax receivable	0.5
Trade and other receivables	11.7
Total assets	36.2
Liabilities	
Provisions	(0.1)
Deferred tax liabilities	(3.1)
Trade and other payables	(14.2)
Current tax payable	(1.3)
Total liabilities	(18.7)
Net assets acquired	17.5
Goodwill	38.7
Total enterprise value	56.2
Satisfied by:	
Cash payments	65.2
Cash and cash equivalents acquired	(9.2)
Working capital consideration	0.2
Net cash outflow	56.2

The fair values of the acquired net assets have been determined provisionally as at 27 September 2019 and are subject to change, as the Group has yet to finalise the fair value of all the identifiable assets and liabilities acquired due to the timing of the completion of the acquisition.

10. Investment in Associates

The following table summarises the financial information of the Group's associates as included in their own financial statements:

	2019 £m	2018 £m
Associates' Income Statement		
Revenue	9.0	9.3
Profit before taxation	2.2	2.3
Taxation	(0.4)	(0.5)
Profit after taxation	1.8	1.8
Group's share of profit after tax (50%)	0.9	0.9
	2019 £m	2018 £m
Associates' Statement of Financial Position		
Current assets	2.9	3.2
Non-current assets	0.1	0.1
Current liabilities	(0.3)	(0.5)
Non-current liabilities	(0.2)	(0.2)
Net assets	2.5	2.6
Group's share of net assets (50%)	1.2	1.3

The following table reconciles the summarised financial position to the carrying amount of the Group's interest in its associates:

	2019 £m	2018 £m
Carrying amount of associates		
At beginning of year	1.3	1.2
Share of profit after tax of associates	0.9	0.9
Dividends received	(1.0)	(0.8)
At end of year	1.2	1.3

Details of the Group's principal associate are shown in Note 35.

11. Taxation

	2019 £m	2018 £m
Continuing and discontinued operations		
Current tax		
Corporation tax charge	3.8	2.5
Overseas tax charge	3.2	5.6
Adjustment in respect of prior years	(1.7)	(1.3)
Total current tax charge (pre-exceptional)	5.3	6.8
Deferred tax		
Origination and reversal of temporary differences	6.2	3.4
Legacy defined benefit pension obligations	1.8	1.5
Effect of tax rate change	(0.2)	1.2
Employee share-based payments	(0.4)	0.4
Increase in asset recognised	–	(1.8)
Adjustment in respect of prior years	0.5	(0.3)
Total deferred tax charge	7.9	4.4
Income tax expense (pre-exceptional)	13.2	11.2
The total income tax expense (pre-exceptional) for the financial year is analysed as follows:		
Continuing operations	13.2	13.0
Discontinued operations	–	(1.8)
Income tax expense (pre-exceptional)	13.2	11.2
Tax on exceptional items		
Current tax credit	(0.1)	(4.5)
Deferred tax credit	(0.5)	(23.9)
Adjustment in respect of prior years	0.4	–
Tax credit on exceptional items	(0.2)	(28.4)
The total exceptional tax expense for the financial year is analysed as follows:		
Continuing operations	(0.2)	(7.8)
Discontinued operations	–	(20.6)
Tax credit on exceptional items	(0.2)	(28.4)
Total tax charge/(credit) for the year	13.0	(17.2)
Tax relating to items taken directly to equity		
Deferred tax relating to items taken directly to equity		
Actuarial gain on Group legacy defined benefit pension schemes	2.9	4.5
Employee share-based payments	0.3	–
	3.2	4.5

Notes to the Group Financial Statements continued

year ended 27 September 2019

11. Taxation continued

Reconciliation of Total Tax Charge continued

The tax charge for the year can be reconciled to the profit per the Income Statement as follows:

	2019 £m	2018 £m
Profit for the financial year		
Adjusted for:	108.2	36.5
Discontinuing operations after tax	(64.8)	–
Tax charge for the year	13.0	(17.2)
Share of profit of associates after tax	(0.9)	(0.9)
Profit before tax	55.5	18.4
Tax charge at Irish corporation tax rate of 12.5% (2018: 12.5%)	6.9	2.3
Effects of:		
Expenses not deductible for tax purposes	4.4	4.1
Differences in effective tax rates on overseas earnings	1.5	(5.3)
Effect of current year losses not recognised	3.2	5.1
Utilisation of losses not previously recognised	(3.6)	(2.7)
Recognition of previously unrecognised deferred tax asset	–	(1.8)
Effect of rate change in the UK	(0.1)	1.2
Exceptional items – continuing	1.4	1.8
Effect of rate change in the US	–	(20.6)
Adjustment in respect of prior years	(0.8)	(1.7)
Other	0.1	0.4
Total tax charge for the year	13.0	(17.2)

No tax charge or credit arose on the disposal of Greencore's US business.

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 27 September 2019								
At beginning of year	0.9	(1.1)	15.7	(0.1)	20.6	0.3	1.2	37.5
Income Statement (charge)/credit	(3.0)	0.3	(1.8)	–	(4.0)	0.4	0.2	(7.9)
Tax credited to equity	–	–	2.9	–	–	0.3	–	3.2
Arising on acquisition	–	(3.1)	–	–	–	–	–	(3.1)
Exceptional	–	–	0.5	–	–	–	–	0.5
Currency translation adjustment and other	0.1	–	–	0.1	–	(0.1)	(0.1)	0.0
At end of year	(2.0)	(3.9)	17.3	(0.0)	16.6	0.9	1.3	30.2
Deferred tax assets (deductible temporary differences)	0.9	–	17.3	–	16.6	0.9	1.4	37.1
Deferred tax liabilities (taxable temporary differences)	(2.9)	(3.9)	–	–	–	–	(0.1)	(6.9)
Net deferred tax asset/(liability)	(2.0)	(3.9)	17.3	–	16.6	0.9	1.3	30.2
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)	3.9	–	15.7	–	20.6	0.3	1.2	41.7
Deferred tax assets (discontinued operations)	–	–	–	–	17.5	–	10.5	28.0
Deferred tax liabilities (taxable temporary differences)	(3.0)	(1.1)	–	(0.1)	–	–	–	(4.2)
Deferred tax liabilities (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)

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 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 27 September 2019

11. Taxation continued

Deferred Taxation continued

No deferred tax asset is recognised in respect of certain tax losses and other attributes incurred 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 27 September 2019 was £35.6m (2018: £50.7m) which has been calculated based on the tax rate applicable to the jurisdiction to which the losses relate and have been translated to the reporting currency (sterling) at the closing Financial Position rate on 27 September 2019.

The total gross unrecognised tax losses are £208.5m (2018: £241.5m). There is no expiry date for losses in any jurisdiction. Deferred tax assets, to the extent that the Directors consider they are recoverable, have been recognised. The unrecognised deferred tax asset at 27 September 2019 in respect of capital losses was £10.9m (2018: £11.4m), which has been translated to sterling calculated at the Financial Position rate at 27 September 2019 and which corresponds to gross unrecognised tax losses of £56.4m (2018: £58.8m). There is no expiry date for these losses in any jurisdiction. Recognition of deferred tax assets is a key judgement in the Group Financial Statements as disclosed in Note 1.

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 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.

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 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 and the Performance Share Plan.

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.

The numerator for the adjusted earnings per share calculation for both 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 inter-company 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 interest expense relating to legacy defined benefit pension liabilities (net of tax).

The Group returned £509.0m to shareholders by way of a tender offer, executed on 31 January 2019. The Group acquired 261,025,641 Ordinary Shares in the Company on the London Stock Exchange, at the Offer Price of £1.95 per Ordinary Share and the shares were subsequently cancelled. The Ordinary Shares acquired represented approximately 36.92% of the voting rights attributable to the Ordinary Shares immediately prior to acquisition. The total Ordinary Shares in issue as at 28 September 2018 was 706,978,416, the total Ordinary Shares in issue at 27 September 2019 is 446,006,581. The effect of the tender offer on the weighted average number of Ordinary Shares was a reduction of 171,633,298 shares.

Numerator for Earnings Per Share Calculations

	2019			2018		
	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 earnings per share calculations)	41.2	64.8	106.0	9.9	23.9	33.8
Exceptional items (net of tax)	30.0	(55.9)	(25.9)	44.4	7.3	51.7
Movement on fair value of derivative financial instruments and related debt adjustments	0.9	–	0.9	3.4	–	3.4
FX effect on inter-company and external balances where hedge accounting is not applied	1.2	–	1.2	(0.1)	–	(0.1)
Amortisation of acquisition related intangible assets (net of tax)	0.7	–	0.7	2.1	12.3	14.4
Pension financing (net of tax)	2.0	–	2.0	2.7	–	2.7
Numerator for adjusted earnings per share calculations	76.0	8.9	84.9	62.4	43.5	105.9

Denominator for Basic Earnings Per Share Calculations

	2019 '000	2018 '000
Shares in issue at the beginning of the year	706,978	705,647
Effect of shares held by Employee Benefit Trust	(3,389)	(3,389)
Effect of shares issued during the year	15	1,054
Effect of share reduction due to tender offer	(171,633)	–
Weighted average number of Ordinary Shares in issue during the year	531,971	703,312

Denominator for Diluted Earnings Per Share Calculations

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 6,809,266 (2018: 12,886,062) unvested shares across the Group's share schemes 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 2019 financial year.

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:

	2019 '000	2018 '000
Weighted average number of Ordinary Shares in issue during the year	531,971	703,312
Dilutive effect of share awards	1,587	747
Weighted average number of Ordinary Shares for diluted earnings per share	533,558	704,059

Notes to the Group Financial Statements continued

year ended 27 September 2019

12. Earnings Per Ordinary Share continued

Earnings Per Share Calculations

	2019			2018		
	Continuing operations pence	Discontinued operations pence	Total pence	Continuing operations pence	Discontinued operations pence	Total pence
Basic earnings per Ordinary Share	7.7	12.2	19.9	1.4	3.4	4.8
Adjusted earnings per Ordinary Share			16.0			15.1

	2019			2018		
	Continuing operations pence	Discontinued operations pence	Total pence	Continuing operations pence	Discontinued operations pence	Total pence
Diluted earnings per Ordinary Share	7.7	12.2	19.9	1.4	3.4	4.8
Adjusted diluted earnings per Ordinary Share			15.9			15.1

13. Dividends Paid and Proposed

	2019 £m	2018 £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 28 September 2018 (2017: 3.37 pence)	23.8	23.8
Interim dividend of 2.45 pence for the year ended 27 September 2019 (2018: 2.20 pence)	10.9	15.6
Total	34.8	39.4
Proposed for approval at AGM:		
Equity dividends on Ordinary Shares:		
Final dividend of 3.75 pence for the year ended 27 September 2019 (2018: 3.37 pence)	16.7	23.8

In the prior year 1,210,655 shares were issued in respect of the Scrip Dividend Scheme. The weighted average share price in the prior year was £1.83 per share.

The proposed final dividend for the year ended 27 September 2019 will be payable on 28 February 2020 to shareholders on the Register of Members at 3 January 2020.

14. Goodwill and Intangible Assets

	Goodwill £m	Computer software and other intangibles £m	Acquisition related intangible assets – customer related £m	Total £m
Year ended 27 September 2019				
Opening net book amount	409.7	9.7	5.9	425.3
Acquisitions through business combinations (Note 9)	38.7	–	17.5	56.2
Additions	–	6.5	–	6.5
Amortisation charge	–	(3.6)	(0.9)	(4.5)
Impairment charge	–	(0.2)	–	(0.2)
Closing carrying amount	448.4	12.4	22.5	483.3
At 27 September 2019				
Cost	459.0	67.6	52.3	578.9
Accumulated impairment/amortisation	(10.6)	(55.2)	(29.8)	(95.6)
Carrying amount	448.4	12.4	22.5	483.3

	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 33)	(397.3)	(4.5)	(243.1)	(644.9)
Closing carrying 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)
Carrying amount	409.7	9.7	5.9	425.3

In September 2019 the Group completed the acquisition of Freshtime UK Limited, resulting in the recognition of a customer related intangible asset of £17.5m and goodwill of £38.7m. The intangible asset relates to key customer relationships acquired as part of the acquisition and are considered to have a remaining useful life of more than 7 years.

During the year the Group recognised an impairment charge of £0.2m to computer software.

During the prior year the Group recognised an impairment charge of £2.4m, which included 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.

Goodwill Impairment Testing

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The Group has allocated goodwill to its two CGUs, Convenience Foods UK and Irish ingredients trading businesses. The CGUs represent the lowest level within the Group at which the associated goodwill is assessed for internal management purposes and are not larger than the operating segment determined in accordance with IFRS 8 *Operating Segments*. A summary of the allocation of the carrying value of goodwill by CGU is as follows:

	2019 £m	2018 £m
Convenience Foods UK	446.3	407.6
Irish ingredients trading businesses	2.1	2.1
	448.4	409.7

The recoverable amount 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 2020 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% (2018: 2%) rate (reflecting inflation but no other growth) for a further period of 25 years and discounting these back to present values. The application of a valuation period 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.

Applying these techniques, no impairment arose in either 2019 or 2018.

Notes to the Group Financial Statements continued

year ended 27 September 2019

14. Goodwill and Intangible Assets continued

Goodwill Impairment Testing continued

Estimation of the carrying value of goodwill is a key judgement in the preparation of the Group Financial Statements.

A present value of the future cash flows of the Convenience Foods UK CGU and the Irish ingredients trading businesses CGU is calculated using a discount rate of 7.3% (2018: 8.3%). 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 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 Irish ingredients trading businesses 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, 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.	The Group assumes a modest level of working movement in the budget and minimal change in the outer years. This is borne out by past experience.		
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 which has been performed on a valuation period of 30 years. Changes in the assumptions would lead to an impairment where there is a decline of 55% in projected cash flows, a reduction in the inflationary linked long term growth rate by 18% or an increase in the discount rate to 17%. Notwithstanding this analysis the Group believes 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.

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 27 September 2019					
Opening net book amount	128.2	105.3	35.1	54.4	323.0
Acquisitions through business combinations (Note 9)	3.1	2.2	–	–	5.3
Additions	7.7	18.8	4.2	6.7	37.4
Disposals	(0.1)	(0.2)	–	–	(0.3)
Impairments	1.1	(1.1)	–	–	0.0
Reclassifications	27.5	16.0	2.1	(45.6)	(0.0)
Depreciation charge	(9.3)	(18.7)	(4.9)	–	(32.9)
Closing net book value	158.2	122.3	36.5	15.5	332.5
At 27 September 2019					
Cost	233.6	383.9	64.0	15.5	697.0
Accumulated depreciation	(75.4)	(261.6)	(27.5)	–	(364.5)
Closing net book value	158.2	122.3	36.5	15.5	332.5
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 33)	(73.3)	(41.7)	(2.9)	(4.8)	(122.7)
Closing net book value	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)
Closing net book value	128.2	105.3	35.1	54.4	323.0

Following the completion of the rationalisation and optimisation of the Group's ready meals network in the UK, the Group assessed the recoverability of related assets at the year end 27 September 2019. The impairment testing indicated a reversal of an impairment which had been recognised in the prior year relating to land and buildings and plant and machinery totalling £1.1m and £3.4m respectively. In addition the Group recognised an impairment of plant and equipment in the network with a total value of £4.5m.

During the prior year the Group recognised a £36.2m charge comprising of a £15.6m charge relating to its ready 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.

Disposals of property, plant and equipment of £21.4m during the prior year related to the disposal of the Group's cakes and desserts operating sites and the Rhode Island facility.

Assets Held Under Finance Leases

During the year all assets held under finance leases were disposed off (see Note 33).

Notes to the Group Financial Statements continued

year ended 27 September 2019

16. Investment Property

	2019 £m	2018 £m
Opening net book amount	6.3	6.3
Disposal	(0.5)	—
Closing net book amount	5.8	6.3
Analysed as:		
Cost	5.8	6.3
Accumulated depreciation	—	—
Net book amount	5.8	6.3

The majority of the Group's investment property is land and therefore not depreciated.

During the year the Group disposed of part of a site that it held in Littlehampton, West Sussex for carrying value. The proceeds included recovery of the Group's contribution to development costs of £1.6m.

The fair value of the Group's investment properties at 27 September 2019 was £5.8m (2018: £6.3m) which reflects its current use. The valuation was carried out by the Group using an external independent valuer 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

	2019 £m	2018 £m
Raw materials and consumables	22.1	20.6
Work in progress	0.3	0.3
Finished goods and goods for resale	23.5	18.2
	45.9	39.1

None of the above carrying amounts have been pledged as security for liabilities entered into by the Group.

	2019 £m	2018 £m
Inventory recognised within cost of sales for continuing operations	690.8	748.4

The amount recognised as an expense for inventory write-downs for the year, was £1.1m (2018: £2.2m).

18. Trade and Other Receivables

	2019 £m	2018 £m
Current		
Trade receivables	118.5	129.6
Prepayments	16.9	13.0
VAT	9.0	8.1
Other receivables	29.4	30.3
Total	173.8	181.0

The fair value of current receivables approximates book value due to their size and short term nature.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is set out in Note 24.

19. Trade and Other Payables

	2019 £m	2018 £m
Current		
Trade payables	241.2	242.6
Employment related taxes	6.6	6.6
Other payables and accrued expenses	110.6	113.1
Declared interim dividend	–	15.6
Subtotal – current	358.4	377.9
Non-current		
Other payables	3.7	3.7
Total	362.1	381.6

The 2019 interim dividend was paid in July 2019.

The Group's exposure to liquidity and currency risk is disclosed in Note 24.

20. Cash and Cash Equivalents

	2019 £m	2018 £m
Cash at bank and in hand, being cash and cash equivalents	41.6	37.0

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 22 includes details of the Group's net debt at 27 September 2019.

21. Borrowings

	2019 £m	2018 £m
Current		
Finance leases	–	0.2
Subtotal – current	–	0.2
Non-current		
Bank borrowings	213.9	350.5
Private Placement Notes	116.2	124.8
Non-bank borrowings	–	62.3
Finance leases	–	0.3
Sub-total – non-current borrowings	330.1	537.9
Total borrowings	330.1	538.1

The maturity of non-current borrowings is as follows:

	2019 £m	2018 £m
Between 1 and 2 years	–	112.6
Between 2 and 5 years	298.4	369.0
Over 5 years	31.7	56.3
	330.1	537.9

Notes to the Group Financial Statements continued

year ended 27 September 2019

21. Borrowings continued

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the Financial Position date are as follows:

	2019 £m	2018 £m
6 months or less	213.9	350.9
1–5 years	84.5	130.9
Over 5 years	31.7	56.3
	330.1	538.1

The average spread that the Group paid on its financing facilities in the year ended 27 September 2019 was 2.24% (2018: 2.29%).

Following the disposal of the US business, the Group fully reset its capital structure, reshaping its debt and associated derivative portfolio to reflect the removal of US dollar assets from the business and also refinanced its primary sterling bank debt agreements.

Bank Borrowings

The Group's bank borrowings are denominated in sterling. Interest is set at commercial rates based on a spread above LIBOR.

In January 2019 the Group completed the refinancing of its £300m revolving credit bank facility with a new five year facility at similar terms. In addition, the Group also refinanced its £50m bank bilateral loan with a new three year facility at similar terms.

In September 2019, under the terms of the existing revolving credit facility, the Group entered into a new £40m revolving credit bank facility, with a matching maturity date to the primary £300m facility.

At 27 September 2019, the Group's bank borrowings, net of finance fees comprised of £213.9m (2018: £350.9m, denominated as £148m, \$261m, €5m), with maturities ranging from January 2022 to January 2024. In addition, the Group had available £175.0m (2018: £188.3m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. Uncommitted facilities undrawn at 27 September 2019 amounted to £7.0m (2018: £12.2m).

Private Placement Notes

The Group's outstanding Private Placement Notes net of finance fees comprised of £116.2m (denominated as \$120.9m and £18m) at 27 September 2019 (2018: £124.8m, denominated as \$139.5m and £18m). These 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.

In December 2018 the Group repaid \$18.6m of its \$139.5m US Private Placement Notes at par and swapped the remaining balance of \$120.9m from fixed rate US dollar to fixed rate sterling (using cross currency interest rate swaps designated as cash flow hedges). The applicable fixed rates on the Private Placement Notes as at 27 September 2019 ranged from 4.14% to 6.15%.

Non-Bank Borrowing

In December 2018 the Group repaid its €70m non-bank borrowings and terminated the associated cross currency interest rate swaps, which had converted the €70m loan to a fixed rate US dollar debt instrument.

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. 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 27 September 2019 is as follows:

	At 28 September 2018 £m	Acquisitions £m	Cash flow £m	Translation and non-cash adjustments £m	At 27 September 2019 £m
Cash and cash equivalents	370	9.2	(5.2)	0.6	416
Bank borrowings	(350.5)	—	143.0	(6.4)	(213.9)
Private Placement Notes	(124.8)	—	14.6	(6.0)	(116.2)
Non-bank borrowings	(62.3)	—	63.1	(0.8)	—
Finance leases	(0.5)	—	0.4	0.1	—
Total	(501.1)	9.2	215.9	(12.5)	(288.5)

	At 29 September 2017 £m	Acquisitions £m	Cash flow £m	Translation and non-cash adjustments £m	At 28 September 2018 £m
Cash and cash equivalents	19.8	—	17.2	—	37.0
Bank borrowings	(353.7)	—	9.6	(6.4)	(350.5)
Private Placement Notes	(121.9)	—	—	(2.9)	(124.8)
Non-bank borrowings	(61.6)	—	—	(0.7)	(62.3)
Finance leases	(1.8)	—	1.3	—	(0.5)
Total	(519.2)	—	28.1	(10.0)	(501.1)

Currency Profile

The currency profile of net debt and derivative financial instruments at 27 September 2019 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Cash and cash equivalents	—	6.5	35.1	41.6
Borrowings	(98.2)	—	(231.9)	(330.1)
Net Debt	(98.2)	6.5	(196.8)	(288.5)
Other derivative financial instruments	—	—	1.9	1.9
Total	(98.2)	6.5	(194.9)	(286.6)

The currency profile of net debt and derivative financial instruments at 28 September 2018 was as follows:

	US dollar	Euro	Sterling	Total
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)

Notes to the Group Financial Statements continued

year ended 27 September 2019

22. Analysis of Net Debt continued

Interest Rate Profile

The interest rate profile of net debt at 27 September 2019 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Floating rate net debt	–	6.5	(89.4)	(82.9)
Fixed rate net debt	(98.2)	–	(107.4)	(205.6)
Total	(98.2)	6.5	(196.8)	(288.5)

The interest rate profile of net debt 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)
Total	(293.2)	(57.0)	(150.9)	(501.1)

23. Derivative Financial Instruments

Derivative financial instruments recognised as assets and liabilities in the Statement of Financial Position are analysed as follows:

	2019		
	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			
Forward foreign exchange contracts – not designated as hedges	–	(0.4)	(0.4)
Cross-currency interest rate swaps – cash flow hedges	5.5	–	5.5
Interest rate swaps – cash flow hedges	–	(2.9)	(2.9)
	5.5	(3.3)	2.2
Total	5.5	(3.6)	1.9
	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 – cash flow 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)

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 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.

IFRS 9 Financial Instruments was effective for the Group from the 29 September 2018 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The hedge accounting requirements under IFRS 9 are optional. The Group has chosen not to apply the new hedge accounting rules under IFRS 9 and will continue to apply IAS 39. The decision has not impacted on how the Group accounts for effective hedges.

Cross-currency Interest Rate Swaps

The Group utilises cross currency interest rate swaps to convert fixed rate dollar Private Placement Notes into fixed rate sterling liabilities.

Following the repayment of \$18.6m of its \$139.5m US Private Placement Notes at par, the Group swapped the remaining balance of \$120.9m from fixed rate US dollar to fixed rate sterling. The fixed rate US dollar to fixed rate sterling swaps are designated as cash flow hedges under IAS 39 Financial Instruments: Recognition and Measurement.

In December 2018, the Group terminated its euro/US dollar cross currency interest rate swap as part of its reshaping of its debt and derivative portfolio. This resulted in a cash outflow of £13.0m.

Interest Rate Swaps

The Group utilises interest rate swaps to convert floating rate sterling into fixed rate debt liabilities.

The principal amount of the Group's borrowings which are swapped at 27 September 2019 total £90m (2018: £90m and \$30m). In addition, the Group has entered into forward starting interest rate swaps of £50m, split into two tranches of £25m. These commenced in October 2019 respectively with maturities in October 2021.

The total value of sterling interest rate swaps designated as cash flow hedges under IAS 39 Financial Instruments: Recognition and Measurement at 27 September 2019 was £140m inclusive of forward starting derivatives (2018: £140m). At 27 September 2019, the fixed interest rates varied from 0.558% to 2.095% (2018: 0.558% to 2.095%) with maturities ranging from February 2020 to October 2021 (2018: October 2018 to October 2021).

In November 2018 the Group terminated US dollar interest rate swaps of a total nominal value of \$70m, resulting in a cash receipt of £0.4m. In addition US dollar interest rate swaps of a total nominal value of \$30m matured in October 2018.

Forward Foreign Exchange Contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 27 September 2019 total £25.8m (2018: £39.0m). No outstanding forward foreign exchange contracts are designated as cash flow hedges as at the 27 September 2019.

24. Financial Risk Management

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 and purchasing departments 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.

Financial instruments are carried at fair value, using different valuation methods. 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).

Notes to the Group Financial Statements continued

year ended 27 September 2019

24. Financial Risk Management continued

Financial Risk Management Objectives and Policies continued

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.

	2019					
	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	156.9	—	—	—	156.9	156.9
Cash and cash equivalents*	41.6	—	—	—	41.6	41.6
Derivative financial instruments*	—	(0.7)	2.6	—	1.9	1.9
Bank borrowings*	—	—	—	(213.9)	(213.9)	(216.5)
Private Placement Notes*	—	—	—	(116.2)	(116.2)	(120.2)
Trade and other payables	—	—	—	355.5	355.5	355.5

Level 2 denoted by *.

	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 *.

The carrying value of trade and other receivables and trade and other payables are considered a reasonable approximation of fair value. During the year, there were no transfers between the different levels identified above.

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.

Following the disposal of the Group's US business the exposure to fluctuations in US dollar has been substantially reduced. The Group holds private placement notes in US dollars which have been swapped to sterling using cross currency interest rate swaps.

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	
	2019 £m	2018 £m	2019 £m	2018 £m
Effect of a downward movement of 100 basis points	1.0	2.2	(1.1)	(2.4)
Effect of an upward movement of 100 basis points	(1.2)	(2.4)	0.8	2.1

negative = cost, positive = gain

Foreign Currency Risk

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 date were as follows (excluding derivative financial instruments):

Denominated in:	2019			2018		
	Euro £m	US dollars £m	Sterling £m	Euro £m	US dollars £m	Sterling £m
Trade receivables and other receivables	—	0.9	1.8	0.1	1.3	1.1
Trade payables and other payables	(0.7)	(0.3)	(1.1)	(1.3)	(0.7)	(0.8)
Cash and cash equivalents	0.0	(0.3)	(0.0)	1.4	0.4	0.5
Gross exposure	(0.7)	0.3	0.7	0.2	1.0	0.8

Following the disposal of the Group's US business in November 2018 the exposure to fluctuations in US dollar has been substantially reduced. Prior to this, the effect on equity of a movement between sterling and US dollar was offset by the translation of the net assets of the subsidiaries against which the US dollar and euro borrowings were 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.

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	
	2019 £m	2018 £m	2019 £m	2018 £m
Impact of 10% strengthening of sterling vs euro gain/(loss)	(0.5)	(0.8)	5.1	2.7
Impact of 10% strengthening of sterling vs dollar gain/(loss)	(0.9)	0.3	—	67.9

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.

Notes to the Group Financial Statements continued

year ended 27 September 2019

24. Financial Risk Management continued

Liquidity Risk continued

The following are the carrying amounts and contractual liabilities of financial liabilities (including interest payments):

27 September 2019	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
Non-Derivative Financial Instruments						
Bank borrowings	(213.9)	(230.2)	(2.3)	(2.2)	(225.7)	–
Private Placement Notes	(116.2)	(138.3)	(3.1)	(3.1)	(82.9)	(49.2)
Trade and other payables	(355.5)	(355.5)	(355.5)	–	–	–
Derivative Financial Instruments						
Interest rate swaps – cash flow hedges	(2.9)	–	–	–	–	–
Inflow/(outflow)	–	(3.1)	(0.2)	(1.2)	(1.7)	–
(Outflow)	–	–	–	–	–	–
Cross-currency interest rate swaps – cash flow hedges	5.5	–	–	–	–	–
Inflow	–	113.4	2.7	2.7	75.1	32.9
(Outflow)	–	(107.5)	(2.0)	(2.0)	(69.1)	(34.4)
Forward foreign exchange contracts	(0.7)	–	–	–	–	–
Inflow	–	25.8	11.6	7.4	6.8	–
(Outflow)	–	(26.5)	(11.8)	(7.6)	(7.1)	–
28 September 2018	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
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)	–

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.

Trade receivables

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 and reviewing outstanding balances for indicators of impairment. There have been no significant changes to the Group's credit risk parameters or to the composition of the Group's trade receivables during the financial year.

Revenue earned individually from four customers in Convenience Foods UK & Ireland of £304.0m, £247.5m, £163.3m and £146.9m respectively represent more than 10% of the Group's revenue (2018: Revenue earned individually from two customers in Convenience Foods UK & Ireland of £283.0m and £240.1m respectively represented more than 10% of the Group's revenue).

The Group also manages credit risk in the UK 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, £39.1m (2018: £40.3m) has been derecognised at year end.

The aged analysis of trade receivables for the year ended 27 September 2019 and 28 September 2018 is summarised in the table below.

	2019 £m	2018 £m
Receivable within 1 month of the Balance Sheet date	111.9	123.9
Receivable between 1 and 3 months of the Balance Sheet date	4.9	3.9
Receivable greater than 3 months of the Balance Sheet date	1.7	1.8
Total trade receivables	118.5	129.6

Trade receivables are in general receivable within 90 days of the date, are unsecured and are not interest bearing. The figures disclosed above are stated net of allowances for impairment.

The Group applies the simplified approach to providing for expected credit losses ('ECL') permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. The adjustment in relation to the adoption of IFRS 9 and the ECL model at 29 September 2018 was £0.9 million. The Group uses an allowance matrix to measure the ECL's of trade receivables based on its credit loss rates. Expected loss rates are based on historical payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward economic factors if there is evidence to suggest these factors will affect the ability of the customer to settle receivables. The Group has determined the ECL default rate using market default risk probabilities with regards its key customers.

The movements in the allowance for impairment of receivables are as follows:

	2019 £m	2018 £m
At the beginning of the year	(1.6)	(1.1)
IFRS 9 transition adjustment	(0.9)	—
Opening balance (restated)	(2.5)	(1.1)
Provided during year	(0.1)	(1.7)
Written off during the year	0.6	0.8
Reclassified to assets held for sale	—	0.4
At end of year	(2.0)	(1.6)

Notes to the Group Financial Statements continued

year ended 27 September 2019

24. Financial Risk Management continued

Credit Risk continued

Cash and cash equivalents

Exposure to credit risk on cash and derivative financial instruments is actively monitored by the Group's treasury department. Risk of counterparty default arising on cash and cash equivalents is controlled by dealing with high quality institutions and by policy, limiting the amount of credit exposure to any one bank or institution. The Group transacts with a variety of high credit quality financial institutions for the purpose of placing deposit. The Group actively monitors its credit exposure to each counterparty to ensure compliance with the counterparty risk limits of the Board approved treasury policy.

Of the total cash and cash equivalent at 27 September 2019, the cash was predominantly held by financial institutions with minimum short term ratings of A-1 (Standard and Poor's) or P-1 (Moody's). The Group accordingly does not expect any loss in relation to its cash and cash equivalents at 27 September 2019.

The maximum exposure to credit risk for cash and cash equivalents by geographic location of financial institution was as follows:

	Carrying amount	
	2019 £m	2018 £m
UK	35.6	15.2
US	–	12.6
Ireland	6.0	9.2
	41.6	37.0

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 by closely monitoring markets. The Group's policy is to minimise its exposure to volatility by adopting an appropriate forward purchase strategy by providing forward price forecasts to the business. This forecast enables the Group to both predict and manage inflation.

Capital 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. The change in debt capital structure in the year is set out in Note 21 and the change in equity is set out in Note 27. 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 invested capital of the Group at 27 September 2019 is £667.2m. 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.

25. Provisions

	Leases £m	Remediation and closure £m	Other £m	Total £m
At beginning of year	3.8	6.0	5.8	15.6
Provided in year	–	–	1.2	1.2
Acquisitions through business combinations (Note 9)	0.1	–	–	0.1
Utilised in year	(0.3)	(4.1)	–	(4.4)
Released in year	(0.5)	–	–	(0.5)
Unwind of discount to present value in the year	0.1	–	–	0.1
Currency translation adjustment	–	–	0.1	0.1
At end of year	3.2	1.9	7.1	12.2

Analysed as:

	2019 £m	2018 £m
Non-current liabilities	6.7	8.9
Current liabilities	5.5	6.7
	12.2	15.6

The estimation of provisions is a key judgement in the preparation of the Financial Statements.

Leases

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 and the provision released in the year resulted from the purchase of a freehold title of one of the Group's UK manufacturing facilities.

Remediation and Closure

Remediation and closure obligations were established to cover either a statutory, contractual or constructive obligation of the Group. The majority of the obligation will unwind in one to three years. Remediation and closure obligations utilised in the year primarily relate to the optimisation of longer life ready meals manufacturing in the UK.

Other

Other provisions consist of warranty claims relating to disposed businesses and provisions for legal costs and onerous IT contracts relating to the US business disposed of in November 2018. It is anticipated that these provision will unwind in one to five years.

26. 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 the income statement of £9.3m (2018: £7.8m) represents employer contributions payable to the defined contribution pension schemes at rates specified in the rules of the schemes. At year end, £1.1m (2018: £1.0m) was included in other accruals in respect of defined contribution pension accruals.

Legacy Defined Benefit Pension Schemes

The Group operates three legacy defined benefit pension schemes in the Republic of Ireland (the 'Irish schemes') and two legacy defined benefit pension schemes and one legacy defined benefit commitment 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, the related current service cost and, where applicable, past service cost.

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 pension payments. Scheme assets are held in separate trustee administered funds.

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.

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. Full actuarial valuations were carried out between 31 March 2017 and 31 March 2019. The Group has agreed funding valuations in respect of all its relevant obligations including the UK Defined Benefit Scheme, the Groups primary scheme in the UK in 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. Based on current discussions with the trustees of the scheme cash contributions are expected to remain broadly unchanged at approximately £15m in FY20. All of the schemes are operating under the terms of funding proposals agreed with the relevant pension authorities.

The Group continues to seek ways to reduce its liabilities through various restructuring initiatives in co-operation with the respective schemes which if implemented could modestly increase the annual cash funding requirements. In the period the trustees of one of the smaller legacy defined benefit pension schemes in the UK agreed to the purchase of an insurance policy over the scheme liabilities which is accounted for as a plan asset under *IAS 19 Employee Benefits*.

Notes to the Group Financial Statements continued

year ended 27 September 2019

26. Retirement Benefit Obligations continued

Legacy Defined Benefit Pension Assets and Liabilities

	UK Schemes £m	Irish Schemes £m	Total 2019 £m	2018 £m
Fair value of plan assets	251.3	273.4	524.7	473.4
Present value of scheme liabilities	(378.8)	(237.9)	(616.7)	(562.7)
(Deficit)/surplus in schemes	(127.5)	35.5	(92.0)	(89.3)
Deferred tax asset (Note 11)	21.6	(4.4)	17.2	15.7
Net (liability)/asset at end of year	(105.9)	31.1	(74.8)	(73.6)
Presented as:				
Retirement benefit asset*			36.4	15.3
Retirement benefit obligation			(128.4)	(104.6)

* 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 a surplus from the remaining assets of a plan at the end of the plan's life.

Ruling 14 of the International Financial Reporting Standards Interpretations Committee (IFRIC 14) clarifies how the asset ceiling should be applied, particularly how it interacts with local minimum funding rules. The Group has determined that it has an unconditional right to a refund of surplus assets if the schemes are run off until all members have left the plan.

Movement in the Fair Value of Plan Assets

	2019 £m	2018 £m
Change in plan assets		
Fair value of plan assets at beginning of year	473.4	478.6
Interest income on plan assets	10.3	10.1
Actuarial gain	51.6	2.5
Administrative expenses paid from plan assets	(0.7)	(0.7)
Employer contributions	16.7	15.1
Benefit payments	(26.5)	(34.7)
Effect of exchange rate changes	(0.1)	2.5
Fair value of plan assets at end of year	524.7	473.4

Movement in the Present Value of Legacy Defined Benefit Obligations

	2019 £m	2018 £m
Change in benefit obligation		
Benefit obligation at beginning of year	562.7	603.4
Interest expense	12.8	13.6
Past service cost	3.0	—
Actuarial loss/(gain) on financial assumptions	83.4	(3.1)
Actuarial (gain) on demographic assumptions	(11.7)	(2.5)
Actuarial (gain) on experience	(6.8)	(16.2)
Benefit payments	(26.5)	(34.8)
Effect of exchange rate changes	(0.2)	2.3
Liability recognised in at end of year	616.7	562.7

Risks and Assumptions

The legacy defined 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 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 are linked to inflation; 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 Retail Price Index (RPI) in the UK. The Irish inflation assumption has been set based on a combination of various methods including Irish Government and ECB inflation targets.

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 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.

The principal actuarial assumptions are as follows:

	UK Schemes		Irish Schemes	
	2019	2018	2019	2018
Rate of increase in pension payments*	2.95%	3.10%	0.00%	0.00%
Discount rate	1.80%	2.90%	0.85%	1.60%
Inflation rate**	3.05%	3.20%	1.50%	1.60%

* 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.

** Inflation is RPI for UK schemes, for reference Consumer Price Index (CPI) is assumed to be 1% less than RPI.

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 ruling concluded that schemes are under a duty to equalise benefits for all members, regardless of gender, in relation to Guaranteed Minimum Pension ('GMP') benefits. The court ruling impacts the majority of companies with a UK defined benefit pension plan that was in existence before 1997. For the Group, an estimate was made of the impact of GMP equalisation, which increased the pension scheme liabilities by £3.0m with a corresponding charge to exceptional operating items. Whilst guidance has been issued by the Department of Work and Pensions, legislative provisions regarding the change are still being finalised. Therefore in the continued absence of guidance, the Group has maintained the estimate of £3.0m as at 27 September 2019.

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 the demographic tables from Club Vita research combined with the CMI 2019 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	
	2019 years	2018 years	2019 years	2018 years
Male	22	23-24	23	23
Female	24	23-24	24	24

Notes to the Group Financial Statements continued

year ended 27 September 2019

26. Retirement Benefit Obligations continued

Sensitivity of Pension Liability to Judgemental Assumptions

Assumption	Change in assumption	Impact on Scheme Liabilities		
		UK Schemes	Irish Schemes	Total
Discount rate	Decrease by 0.5%	↑£36.4m	↑£16.1m	↑£52.5m
Discount rate	Increase by 0.5%	↓£33.8m	↓£15.0m	↓£48.8m
Rate of inflation	Decrease by 0.5%	↓£18.1m	↓£5.3m	↓£23.4m
Rate of inflation	Increase by 0.5%	↑£19.4m	↑£5.5m	↑£24.9m
Rate of mortality	Members assumed to live 1 year longer	↑£12.4m	↑£10.0m	↑£22.4m

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%	↑£26.0m	↑£14.1m	↑£40.1m

The above sensitivity analyses 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.

Hedging Strategy

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.

Plan assets are comprised as follows:

	2019			2018		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Cash	12.2	–	12.2	6.7	–	6.7
Equity instruments	63.7	–	63.7	76.3	–	76.3
Debt instruments	251.5	–	251.5	199.7	–	199.7
Real estate	21.4	–	21.4	21.2	–	21.2
Derivatives	69.9	–	69.9	57.2	–	57.2
Investment funds	86.2	–	86.2	112.0	–	112.0
Insurance contracts	–	19.8	19.8	–	0.3	0.3
Fair value of plan assets	504.9	19.8	524.7	473.1	0.3	473.4

The primary Irish and UK Schemes have Liability Driven Investment ('LDI') for 76% (2018: 76%) of the Irish funds and 32% (2018: 32%) of the UK funds which hedge over 80% of the interest rate and c.80% inflation risk in the schemes (when measured relative to the economic value of the liabilities). The hedging strategy is designed to reduce the schemes' exposure to changes in interest rates and inflation expectations, therefore, reducing funding level risk and volatility. The trustees review investment strategy regularly.

The hedging on the Irish Schemes 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. The hedging on the UK Schemes is provided via pooled fund manager funds which have specified limits on leverage.

Maturity Analysis

The expected maturity analysis is set out in the table below:

	UK Schemes % of benefits	Irish Schemes % of benefits	Total % of benefits
Expected benefit payments:			
Within 5 years	8%	24%	14%
Between 6 and 10 years	10%	22%	14%
Between 11 and 15 years	12%	18%	14%
Between 16 and 20 years	14%	13%	14%
Between 21 and 25 years	14%	9%	12%
Over 25 years	42%	14%	32%

The weighted average duration of the UK and Irish legacy defined benefit obligations are 18.8 years and 13.5 years respectively.

Greencore Group Pension Scheme Contingent Asset

The primary scheme in Ireland, Greencore Group Pension Scheme has a mortgage and charge relating to certain property assets of the Group with a carrying value of £5.2m (2018: £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.

Pension Funding Partnership

In 2013, the Group entered into arrangements with the Greencore UK 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 27 September 2019, SLP held properties with a carrying value of £16.5m (2018: £16.5m) and trade receivables with a carrying value of £36.0m (2018: £36.0m) 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.

Notes to the Group Financial Statements continued

year ended 27 September 2019

27. Share Capital

	2019 £m	2018 £m
Authorised		
1,000,000,000 Ordinary Shares of £0.01 each (2018: 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
Issued and fully paid		
446,006,581 (2018: 706,978,416) Ordinary Shares of £0.01 each	4.5	7.1
1 Special Rights Preference Share of €1.26 ^(A)	—	—
	4.5	7.1
Reconciliation of movements on Equity Share Capital		
	2019 £'000	2018 £'000
Share capital, at beginning of year	7,058	7,057
Exercise of share options ^(B)	1	1
tender offer ^(C)	(2,610)	—
Scrip dividends ^(D)	—	12
	4,449	7,070

(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) 53,806 share options (2018: 120,950) granted under the Sharesave Scheme were exercised in the year at a nominal value of £0.001m (2018: £0.001m). See Note 6.

(C) The Group returned £509.0m to shareholders by way of a tender offer, executed on 31 January 2019. The Group acquired 261,025,641 Ordinary Shares in the Company on the London Stock Exchange, at the Offer Price of £1.95 per Ordinary Share and the shares were subsequently cancelled. The Ordinary Shares acquired represented approximately 36.92% of the voting rights attributable to the Ordinary Shares immediately prior to acquisition. The total Ordinary Shares in issue at 27 September 2019 was 445,967,327.

(D) During the prior year 1,210,655 shares were issued in respect of the Scrip Dividend Scheme for £2.8m. The scrip dividend scheme was not available to shareholders in the current financial year.

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.

Own Share Reserve

	Number of shares		Nominal value of shares		Value of reserve	
	2019 000	2018 000	2019 £	2018 £	2019 £m	2018 £m
Opening balance	3,386,641	3,593,144	0.034	0.036	8.1	8.6
Shares acquired by the trust	318,247	984,678	0.003	0.010	0.6	2.0
Acquired by the trust through utilisation of dividends	104,620	56,858	0.001	0.001	0.3	0.2
Transferred to beneficiaries of the Share Schemes	(412,717)	(1,248,039)	(0.004)	(0.013)	(0.8)	(2.7)
Closing balance	3,396,791	3,386,641	0.034	0.034	8.2	8.1

28. Non-Controlling Interests

	2019 £m	2018 £m
At beginning of year	6.4	5.2
Profit after tax	2.2	2.7
Dividends paid to non-controlling interests	(2.2)	(1.5)
At end of year	6.4	6.4

29. Working Capital Movement

The following represents the Group's working capital movement:

	2019 £m	2018 £m
Inventories	(4.6)	5.1
Trade and other receivables	23.3	(33.9)
Trade and other payables	(41.5)	12.9
	(22.8)	(15.9)

30. 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:

	2019 £m	2018 £m
Within one year	13.3	9.3
After one year but not more than five years	24.3	22.2
More than five years	11.0	12.9
	48.6	44.4

Operating lease commitments relate to property, plant and machinery and fixtures and fittings.

Finance Leases

The future minimum lease payments under finance leases at 27 September 2019, together with the present value of the net minimum lease payments were as follows:

	2019		2018	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	–	–	0.2	0.2
After one year but not more than five years	–	–	0.3	0.3
Total minimum lease payments	–	–	0.5	0.5
Present value of minimum lease payments	–	–	0.5	0.5

31. Capital Expenditure Commitments

The table below includes the capital commitments for the Group as at year ended 27 September 2019.

	2019 £m	2018 £m
Capital expenditure that has been contracted but not been provided for	4.8	4.7
Capital expenditure that has been authorised by the Directors but not yet contracted	6.3	6.1
	11.1	10.8

Notes to the Group Financial Statements continued

year ended 27 September 2019

32. 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 27 September 2019 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 £7.7m (2018: £5.4m).

The Group has a contingent asset in relation to an insurance claim on a legacy US legal matter. The maximum amount payable to the Group is £4.4m. The asset has not been recognised in the Group's Statement of Financial Position as at the 27 September 2019 as the outcome of the claim is not virtually certain. The claim is fully provided for and included in Group provisions (Note 25).

33. Discontinued Operations and Disposal of Undertakings

Greencore's US Business

On 25 November 2018, the Group completed the disposal of its US business to Hearthside Food Solutions LLC. The disposal met the recognition criteria for the year ended 28 September 2018 under IFRS 5 *Non-current assets held for sale and discontinued operations* and so the results of the business are presented as discontinued and are shown separately from continuing operations.

Results of Discontinued Operations

	2019 £m	2018 £m
Revenue	172.8	1,061.8
Cost of sales	(136.4)	(836.2)
Gross profit	36.4	225.6
Operating costs, net	(27.3)	(177.6)
Group Operating Profit before acquisition related amortisation and exceptional items	9.1	48.0
Amortisation of acquisition related intangibles	—	(17.6)
Group Operating Profit before exceptional items	9.1	30.4
Exceptional item	55.9	(27.9)
Finance costs	(0.2)	(1.0)
Taxation	—	22.4
Profit for the year from discontinued operations	64.8	23.9

The profit from discontinued operations of £64.8m (2018: profit of £23.9m) is attributable entirely to the owners of the Company.

Cash Inflows/(Outflows) from Discontinued Operations

	2019 £m	2018 £m
Discontinued Operating Profit	9.1	30.4
Working Capital Movement	(21.2)	(7.3)
Other Movements	(0.1)	32.7
Cash flows from operating activities	(12.2)	55.8
Cash flows from investing activities	(1.2)	(11.9)
Cash flows for financing activities	—	(0.5)
Net cash (outflow)/inflow for the year	(13.4)	43.4

Effect of Disposal on the Financial Statements

	2019 £m
Goodwill and intangible assets	(658.7)
Property, plant and equipment	(126.3)
Deferred tax assets	(28.6)
Inventory	(38.7)
Trade and other receivables	(104.8)
Cash and cash equivalents	(10.0)
Trade and other payables	84.5
Provisions for liabilities	22.5
Deferred tax liabilities	71.1
Net assets and liabilities disposed of	(789.0)
Disposal consideration	
Total consideration*	827.5
Working capital adjustments	12.4
Provision for legal costs and onerous contracts	(1.6)
Transaction and separation related costs	(17.9)
Total net consideration	820.4
Translation reserve classification to Income Statement on disposal	24.5
Profit on disposal	55.9

* This includes a £15.1m loss relating to a foreign currency exchange contract put in place to hedge proceeds.

Reconciliation of consideration to Cash Received

	2019 £m
Total consideration	827.5
Cash received in respect of working capital adjustments	12.4
Transaction and separation costs paid	(19.0)
Net consideration received on completion	820.9
Cash and cash equivalents disposed of	(10.0)
Net cash inflow arising on disposal	810.9

Assets and Liabilities of Disposal Group Held for Sale

At 28 September 2018, the following assets and liabilities were classified as held for sale:

	2019 £m	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

Notes to the Group Financial Statements *continued*

year ended 27 September 2019

Hull

In February 2018, the Group disposed of its Cakes and Desserts business at Hull ('Hull') to Bright Blue Foods Limited. Under the terms of the agreement the trade and assets of the business were transferred to the purchaser for a deferred cash consideration of £1.0m which was received in February 2019.

Reconciliation of Total Cash Inflow from Disposal of Undertakings

	£m
Greencore's US business	810.9
Hull	1.0
Net cash inflow arising from disposal of undertakings	811.9

34. 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 35 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 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 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:

	2019 £m	2018* £m
Salaries and other short term employee benefits	2.1	2.1
Post-employment benefits – defined contribution costs	0.4	0.4
Share-based payments**	1.7	0.3
	4.2	2.8

** 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 £0.3m (FY18: £0.9m).

35. Principal Subsidiaries and Associated Undertakings

Name of undertaking	Nature of business	Percentage of ordinary shares	Registered office
Freshtime UK Limited	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
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
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

Notes to the Group Financial Statements continued

year ended 27 September 2019

35. Principal Subsidiaries and Associated Undertakings continued

Name of undertaking	Nature of business	Percentage of ordinary shares	Registered office
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
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

All the above entities are registered in the Republic of Ireland except those marked with * which are registered within the UK and that marked with ** which is registered in Jersey.

All companies registered in the Republic of Ireland are covered by s357 of the Companies Act 2014.

36. Subsequent Events

There were no significant subsequent events after the Balance Sheet date.

37. Board Approval

The Group Financial Statements, together with the Company Financial Statements, for the year ended 27 September 2019 were approved by the Board of Directors and authorised for issue on 25 November 2019.

Company Statement of Financial Position

at 27 September 2019

	Notes	2019 £m	2018 £m
ASSETS			
Non-current assets			
Property, Plant and Equipment	2	0.6	0.7
Intangible assets	3	1.1	1.8
Financial assets	4	176.8	176.8
Total non-current assets		178.5	179.3
Current assets			
Trade and other receivables	5	927.3	1,314.0
Total current assets		927.3	1,314.0
Total assets		1,105.8	1,493.3
EQUITY			
Capital and reserves			
Share capital	8	4.5	7.1
Share premium		0.1	650.8
Undenominated capital reserve		120.4	117.8
Other reserves		(3.4)	(3.9)
Retained earnings		380.0	177.7
Total equity		501.6	949.5
LIABILITIES			
Non Current liabilities			
Provisions	7	2.1	–
Total non current liabilities		2.1	–
Current liabilities			
Trade and Other payables	6	597.6	543.8
Provisions	7	4.5	–
Total current liabilities		602.1	543.8
Total liabilities		604.2	543.8
Total equity and liabilities		1,105.8	1,493.3

The company only profit for the year was £93.5m (FY18 £94.5m).

Gary Kennedy
Director

Eoin Tonge
Director

Company Statement of Changes in Equity

year ended 27 September 2019

	Share capital £m	Share premium £m	Undenominated capital reserve ^(E) £m	Share-based payment reserve ^(F) £m	Own share reserve ^(G) £m	Retained earnings £m	Total equity £m
At 28 September 2018	7.1	650.8	117.8	4.2	(8.1)	177.7	949.5
Items of income and expense taken directly to equity							
Profit for the financial year	–	–	–	–	–	93.5	93.5
Total recognised income and expense for the financial year	–	–	–	–	–	93.5	93.5
Employee share-based payment expense	–	–	–	3.6	–	–	3.6
Exercise, forfeit or lapse of share-based payments	–	0.1	–	(3.0)	–	2.3	(0.6)
Shares acquired by Employee Benefit Trust ^(A)	–	–	–	–	(0.9)	0.3	(0.6)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	–	–	–	0.8	(0.8)	–
Share Capital Reduction ^(C)	–	(650.8)	–	–	–	650.8	–
Capital Return Via tender offer ^(D)	(2.6)	–	2.6	–	–	(509.0)	(509.0)
Dividends	–	–	–	–	–	(34.8)	(34.8)
At 27 September 2019	4.5	0.1	120.4	4.8	(8.2)	380.0	501.6

	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

(A) The Employee Benefit Trust acquired 104,620 (2018: 56,858) shares in the Group with a combined value of £0.3m (2018: £0.2m) and a nominal value at the date of purchase of £0.001m (2018: £0.0006m) through the Scrip Dividend Scheme and utilisation of dividend income. Pursuant to the terms of the Employee Benefit Trust 318,247 (2018: 984,678) shares were purchased during the financial year ended 27 September 2019 at a cost of £0.6m (2018: £2.0m). The nominal value of these shares, on which dividends have not been waived by the Employee Benefit Trust was £0.003m (2018: £0.01m) at the date of purchase.

(B) During the year 412,717 (2018: 1,248,039) shares with a nominal value at the date of transfer of £0.004m (2018: £0.01m) were transferred to beneficiaries of the Deferred Bonus Plan.

(C) In November 2018, the High Court approved a capital reduction for the amount equal to the Share Premium of the Company of £650.8m which has been recycled to retained earnings.

(D) Greencore Group plc returned £509.0m to shareholders by way of a tender offer, executed on 31 January 2019. The Group acquired 261,025,641 Ordinary Shares in the Company on the London Stock Exchange, at the Offer Price of £1.95 per Ordinary Share and the shares were subsequently cancelled. The Ordinary Shares acquired represented approximately 36.92% of the voting rights attributable to the Ordinary Shares immediately prior to acquisition. The total Ordinary Shares in issue at 28 September 2019 was 445,967,327.

(E) The undenominated capital reserve represents the nominal cost of cancelled shares and the amount transferred to reserves as a result of renominating the share capital of Greencore Group plc on conversion to the euro.

(F) The share-based payment reserve relates to equity settled share-based payments made to employees through the Performance Share Plan, the Deferred Bonus Plan and the Employee ShareSave Scheme. Further information in relation to this share-based payment is set out in Note 6 of the Group Financial Statements.

(G) 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 27 September 2019

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*;
- 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 £93.5m (2018: £94.5m). 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 Financial Position 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 allowance for expected credit losses. An allowance 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. The company's intercompany receivables at 27 September 2019 amounted to £931.0m (2018: £1,313.3m). None of these balances include an allowance for expected credit losses and all amounts are expected to be recoverable in full.

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.

Notes to the Company Financial Statements continued

year ended 27 September 2019

1. Company Statement of Accounting Policies continued

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.

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.

Property, Plant and Equipment

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	3–5 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 and the Employee Sharesave 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 financial position 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 Statement of Financial Position 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 Other Comprehensive Income or directly in equity, in which case the tax is also recognised in the Statement of Comprehensive Income 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 financial position 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 financial position 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 financial position date.

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. Property, Plant and Equipment

	Fixtures and fittings £m	Total £m
Cost		
At 28 September 2018	1.3	1.3
At 27 September 2019	1.3	1.3
Depreciation		
At 28 September 2018	0.6	0.6
At 27 September 2019	0.7	0.7
Net book value		
At 27 September 2019	0.6	0.6
At 28 September 2018	0.7	0.7

Notes to the Company Financial Statements continued

year ended 27 September 2019

3. Intangible Assets

	Computer Software £m	Total £m
Cost		
At 28 September 2018	2.1	2.1
At 27 September 2019	2.1	2.1
Amortisation		
At 28 September 2018	0.3	0.3
Charge for the year	0.7	0.7
At 27 September 2019	1.0	1.0
Net book value		
At 27 September 2019	1.1	1.1
At 28 September 2018	1.8	1.8

4. Financial Assets

				2019 £m	2018 £m
Interest in subsidiary undertakings					
At beginning and end of the year				176.8	176.8
Name of Subsidiary	Principal Activity	Class of Shares Held	% of shares	Country of Incorporation	
Irish Sugar DAC	General Trading	Ordinary	100%	Ireland	
Greencore Holdings DAC	Holding Company	80%	80%	Ireland	
Essenta Foods DAC	Holding Company	100%	100%	Ireland	

5. Trade and Other Receivables

	2019 £m	2018 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings*	925.4	1,313.3
Other debtors	1.1	0.3
Prepayments and accrued income	0.8	0.4
	927.3	1,314.0

* 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

	2019 £m	2018 £m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings*	584.0	514.8
Declared interim dividend	—	15.6
Trade and other creditors	2.0	2.5
Accruals	9.1	10.2
Bank Overdraft	2.5	0.7
	597.6	543.8

* Amounts due to subsidiary undertakings are classified as current, as all inter-company receivables and payables are repayable on demand.

7. Provisions

	£m
At beginning of year	—
Created in year	6.6
At end of year	6.6

Analysed as:

	2019 £m	2018 £m
Non-current liabilities	2.1	—
Current liabilities	4.5	—
	6.6	—

Provisions consist of warranty claims relating to provisions for legal costs and onerous IT contracts relating to the US business disposed of in November 2018. It is anticipated that these provision will unwind in one to five years.

8. Share Capital

Details in respect of called-up share capital are presented in Note 27 of the Group Financial Statements.

9. Employee Benefits

A fellow group company, Irish Sugar DAC, operates a funded defined benefit pension scheme for 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 on the 31 March 2019. 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 27 September 2019 of £31.5m (2018: £7.6 million) as measured on a IAS 19 Employee Benefits basis. The contribution for the period was £nil (2018: £nil). At year end, £nil (2018: £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 (2018: £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 26 to the Group Financial Statements.

The staff costs for the year for the above employees were:

	2019 £m	2018 £m
Wages and salaries	6.1	4.2
Social insurance costs	0.1	0.4
Employee share-based payment expense	3.6	1.6
Pension costs – defined contribution plans	0.4	0.4
	10.2	6.6

10. Share-based Payments

The Company grants share awards and options under various share schemes as detailed in the Report of the Directors. A charge of £3.6m (2018: £1.7m) 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.

11. Guarantees and Commitments

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed the liabilities and commitments of certain subsidiary undertakings in the Republic of Ireland for the financial year ended 27 September 2019. 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.

12. Statutory Information

During the period the average number of persons employed by the Company (excluding Non-Executive Directors) was 29 (2018: 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:

	2019 £'000	2018 £'000
Audit of the Company Financial Statements	35.0	39.0

The Company has annual commitments under operating leases expiring between two and five years of £0.8m (2018: £0.9m) and after five years of £1.2m (2018: £0.1m).

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, Free Cash Flow, Free Cash Flow Conversion, Net Debt and Return on Invested Capital ('ROIC').

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. The APMs are not covered by the Independent Auditors Report.

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 adjusts FY19 reported revenue to exclude the impact on transition to IFRS 15 *Revenue from Contracts with Customers* on the Group's Irish Ingredients trading business and to exclude the impact of the Freshtime acquisition in the year. It also presents the numbers on a constant currency basis.

FY18 reported revenue excludes revenue from the Group's cakes and desserts businesses which were disposed of in the prior year and to reflect the impact of exiting manufacturing of longer life ready meals at the Kiveton facility.

	2019 Convenience Foods UK & Ireland %
Reported revenue	(3.5%)
Impact of disposals and exits	5.8%
Impact of acquisitions	(0.2%)
Impact of IFRS 15	0.5%
Impact of currency	0.0%
Pro Forma Revenue Growth (%)	2.6%

The table below shows the Pro Forma Revenue split by food to go categories and other convenience categories. This is in line with the new disclosure requirements in IFRS 15 *Revenue from Contracts with Customers* requiring revenue to be disaggregated.

	Food to go categories			Other convenience categories		
	H1 FY19 %	H2 FY19 %	Full Year %	H1 FY19 %	H2 FY19 %	Full Year %
Reported revenue	7.0%	0.8%	3.6%	(19.8%)	(9.0%)	(15.0%)
Impact of disposals and exits	—	—	—	21.4%	7.4%	15.0%
Impact of acquisitions	—	(0.5%)	(0.3%)	—	—	—
Impact of IFRS 15	—	—	—	1.2%	1.2%	1.2%
Impact of currency	—	—	—	0.0%	0.0%	0.0%
Pro Forma Revenue Growth (%)	7.0%	0.3%	3.3%	2.8%	(0.4%)	1.2%

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 items. Adjusted EBITDA is calculated as Adjusted Operating Profit plus depreciation and amortisation of computer software intangibles assets. Adjusted Operating Margin is calculated as Adjusted Operating Profit divided by reported revenue.

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:

	2019			2018		
	Convenience Foods UK and Ireland £m	Discontinued operations £m	Total £m	Convenience Foods UK and Ireland £m	Discontinued operations £m	Total £m
Profit for the financial year	43.4	64.8	108.2	12.6	23.9	36.5
Taxation ^(A)	13.0	—	13.0	5.2	(22.4)	(17.2)
Net finance costs ^(B)	18.9	0.2	19.1	32.9	1.0	33.9
Share of profit of associates after tax	(0.9)	—	(0.9)	(0.9)	—	(0.9)
Exceptional items	30.2	(55.9)	(25.7)	52.2	27.9	80.1
Amortisation of acquisition related intangibles	0.9	—	0.9	2.6	17.6	20.2
Adjusted Operating Profit	105.5	9.1	114.6	104.6	48.0	152.6
Depreciation and amortisation ^(C)	36.5	—	36.5	35.4	17.0	52.4
Adjusted EBITDA	142.0	9.1	151.1	140.0	65.0	205.0
Adjusted Operating Margin (%)	7.3%	5.3%	7.1%	7.0%	4.5%	6.0%

(A) Includes tax credit on exceptional items for continuing operations of £0.2m (2018: £7.8m) and for discontinued operations £nil (2018: £20.6m).

(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:

	2019 £m	2018 £m
Profit before taxation for continuing operations	56.4	17.8
Taxation on share of profit of associates	0.2	0.3
Exceptional items	30.2	52.2
Pension finance items	2.5	3.4
Amortisation of acquisition related intangibles	0.9	2.6
FX and fair value movements ^(A)	2.1	3.3
Adjusted Profit Before Tax for continuing operations	92.3	79.6

(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.

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 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 and the Performance Share Plan. Adjusted EPS described as an APM here is Adjusted Basic EPS.

Alternative Performance Measures continued

Adjusted Basic Earnings Per Share ('EPS') continued

The following table sets forth a reconciliation of the Group's profit attributable to equity holders of the Group to its Adjusted Earnings for the financial years indicated.

	2019 £m	2018 £m
Profit attributable to equity holders of the Group	106.0	33.8
Exceptional items (net of tax)	(25.9)	51.7
FX effect on inter-company and external balances where hedge accounting is not applied	1.2	(0.1)
Movement in fair value of derivative financial instruments and related debt adjustments	0.9	3.4
Amortisation of acquisition related intangible assets (net of tax)	0.7	14.4
Pension financing (net of tax)	2.0	2.7
Adjusted earnings	84.9	105.9
	2019 '000	2018 '000
Weighted average number of ordinary shares in issue during the year	531,971	703,312
	Pence	Pence
Adjusted Basic Earnings Per Share	16.0	15.1

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 Groups purchase of property, plant and equipment and purchase of intangible assets between Strategic Capital Expenditure and Maintenance Capital Expenditure:

	2019			2018		
	Convenience Foods UK and Ireland £m	Discontinued operations £m	Total £m	Convenience Foods UK and Ireland £m	Discontinued operations £m	Total £m
Purchase of property, plant and equipment	38.4	1.2	39.6	48.8	11.7	60.5
Purchase of intangible assets	4.6	—	4.6	2.8	0.2	3.0
Net cash outflow from capital expenditure	43.0	1.2	44.2	51.6	11.9	63.5
Strategic Capital Expenditure	12.4	1.2	13.6	24.6	2.2	26.8
Maintenance Capital Expenditure	30.6	—	30.6	27.0	9.7	36.7
Net cash outflow from capital expenditure	43.0	1.2	44.2	51.6	11.9	63.5

Free Cash Flow and Free Cash Flow Conversion

The Group uses Free Cash Flow to measure the amount of underlying cash generation and the cash available for distribution and allocation.

The Group calculates the Free Cash Flow as the net cash inflow/outflow from operating and investing activities before Strategic Capital Expenditure, acquisition and disposal of undertakings, disposal of investment property and adjusting for dividends paid to non-controlling interests.

Free Cash Flow Conversion is a new APM introduced in the current financial year. The Group calculates Free Cash Flow Conversion as Free Cash Flow divided by Adjusted EBITDA.

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 Free Cash Flow:

	2019			2018		
	Convenience Foods UK and Ireland £m	Discontinued operations £m	Total £m	Convenience Foods UK and Ireland £m	Discontinued operations £m	Total £m
Net cash inflow from operating activities	98.9	(12.2)	86.7	74.0	55.8	129.8
Net cash inflow/(outflow) from investing activities	714.2	(1.2)	713.0	(50.8)	(11.9)	(62.7)
Net cash inflow/(outflow) from operating and investing activities	813.1	(13.4)	799.7	23.2	43.9	67.1
Strategic Capital Expenditure	12.4	1.2	13.6	24.6	2.2	26.8
Acquisition of undertakings, net of cash acquired	56.2	—	56.2	—	—	—
Disposal of undertakings	(811.9)	—	(811.9)	—	—	—
Disposal of Investment Property	(0.5)	—	(0.5)	—	—	—
Dividends paid to non-controlling interests	(2.2)	—	(2.2)	(1.5)	—	(1.5)
Free Cash Flow	67.1	(12.2)	54.9	46.3	46.1	92.4
Adjusted EBITDA	142.0	9.1	151.1	140.0	65.0	205.0
Free Cash Flow Conversion (%)	47.3	(134.1)	36.3	33.1	70.9	45.1

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:

	2019 £m	2018 £m
Bank borrowings	(213.9)	(350.5)
Private Placement Notes	(116.2)	(124.8)
Non-bank borrowings	—	(62.3)
Finance leases	—	(0.5)
Total borrowings	(330.1)	(538.1)
Cash & cash equivalents	41.6	37.0
Net Debt	(288.5)	(501.1)

Return on Invested Capital ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit, and for the Group as a whole and as a key measure to determine potential new investments. With the significant change in the Group structure following the disposal of Greencore's US business, the Group only calculates ROIC relating to continuing operations.

The Group uses invested capital as a basis for this calculation as it reflects the 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. Invested capital is calculated as net assets (total assets less total liabilities) excluding Net Debt, the carrying value of derivatives not designated as fair value hedges, and retirement benefit obligations (net of deferred tax assets). Average invested capital is calculated by adding the invested capital from the opening and closing Statement of Financial Position and dividing by two.

The Group calculates ROIC as Net Adjusted Operating Profit After Tax ('NOPAT') divided by average invested capital for continuing operations. 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.

Alternative Performance Measures continued

Return on Invested Capital ('ROIC') continued

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.

	2019 £m	2018 £m
Adjusted Operating Profit	105.5	104.6
Share of profit of associates before tax	1.1	1.1
Taxation at the effective tax rate ^(A)	(16.0)	(13.7)
Group NOPAT	90.6	92.0
	2019 £m	2018 £m
Invested capital		
Total assets	1,163.8	2,015.5
Total liabilities	(858.0)	(1,271.9)
Net Debt	288.5	501.1
Derivatives not designated as fair value hedges	(1.9)	12.7
Retirement benefit obligation (net of deferred tax asset)	74.8	73.6
Net assets of the disposal group held for sale	—	(741.7)
Invested capital for the Group^(B)	667.2	589.3
Average invested capital for ROIC calculation for Group	628.3	590.4
ROIC (%) for the Group	14.4	15.6

(A) The effective tax rates for continuing operations for the financial year ended 27 September 2019 and 28 September 2018 were 15% and 13%, respectively.

(B) The invested capital for continued operations was £591.4m in 2017 which excludes £755.7m of invested capital in discontinued operations.

The reduction in ROIC is primarily driven by increased investment, in particular the timing of the acquisition of Freshtime and also impacted by the increased tax rate.

Shareholder and other information

Greencore Group plc is an Irish registered company registered under number 170116. Its Ordinary Shares are quoted on the London Stock Exchange (Symbol: GNC). Greencore has a Level 1 American Depositary Receipts programme (Symbol: GNCGY).

Shareholding Statistics as at 25 November 2019

Range of units	Total holders	Units	% of Issued Capital
0-1,000	5,154	1,677,228	0.38%
1,001-5,000	3,262	7,782,789	1.74%
5,001-10,000	759	5,316,504	1.19%
10,001-25,000	462	7,090,012	1.59%
25,001-100,000	227	10,612,372	2.38%
100,001-250,000	88	14,330,844	3.21%
250,001-500,000	51	18,243,113	4.09%
Over 500,000	100	380,988,110	85.42%
Total	10,103	446,040,972	100.00%

Financial Calendar

Record date for 2019 final dividend	03 January 2020
Annual General Meeting	28 January 2020
Payment date for 2019 final dividend	28 February 2020
Half year financial report	19 May 2020
2020 financial year end	25 September 2020
Announcement of final results	24 November 2020

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