

26 November 2019

### A resilient outturn for the refocused business

Greencore Group plc ('Greencore' or the 'Group'), a leading manufacturer of convenience food in the UK, today issues its results for the year ending 27 September 2019.

### HIGHLIGHTS <sup>1</sup>

- Pro Forma Revenue Growth in continuing operations of 2.6%, driven by 3.3% growth in food to go categories
- Adjusted Operating Profit growth of 0.9%, representing a 30 bps improvement in Adjusted Operating Margin
- Adjusted EPS growth of 6.0% to 16.0 pence
- Strong improvement in Free Cash Flow Conversion on an underlying basis
- Completed strategic reset of the Group following disposal of US business
- Reshaped the capital structure including the return of £509.0m of capital to shareholders
- Acquired Freshtime, a well-established supplier of meal salads and chilled snacking in the UK, in September 2019
- Net Debt of £288.5m, a reduction of £212.6m since the end of FY18, with Net Debt:EBITDA of 1.8x as measured under financing agreements
- Proposed total dividend increased by 11.3% to 6.20 pence

### SUMMARY FINANCIAL PERFORMANCE

	FY19 £m	FY18 £m	Change
Group Revenue	1,446.1	1,498.5	-3.5%
Pro Forma Revenue Growth			+2.6%
Adjusted EBITDA	142.0	140.0	+1.4%
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%
Adjusted Profit Before Tax	92.3	79.6	+16.0%
Group Profit before taxation	56.4	17.8	+216.9%
Adjusted EPS (pence)	16.0	15.1	+6.0%
Group Exceptional Items (after tax)	25.9	(51.7)	
Basic EPS (pence)	19.9	4.8	+314.6%
Total proposed dividend per share (pence)	6.20	5.57	+11.3%
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	
Return on Invested Capital ("ROIC")	14.4%	15.6%	-120bps

## **Commenting on the results, Patrick Coveney, Chief Executive Officer, said:**

"Over the past twelve months we have fundamentally reset our business, anchored by a clear strategy to drive shareholder value by expanding our category and channel capabilities within the diverse, growing and attractive UK food to go market. The evidence of this can be seen in the launch of multiple commercial and innovation projects with key customers, and in the recent acquisition of Freshtime. As a result of this reset strategy, we anticipate another year of profitable growth in FY20."

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<sup>1</sup> 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 in the Appendix to the Full Year Results Statement.

## **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 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.

## **Basis of preparation**

The financial information included within this Results Statement has been extracted from the audited consolidated financial statements of Greencore Group plc. Details of the basis of preparation can be found in Note 1 to the attached financial information. This also includes details of the implementation of IFRS16 *Leases* which the Group will adopt in its FY20 financial statements.

## **Forward-looking statements**

Certain statements made in this document 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 announcement. The Group expressly disclaims any obligation to publicly update or review these forward-looking statements other than as required by law.

## **PRESENTATION**

A presentation of the results for analysts and institutional investors will take place at 8.30am today at the Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED. This presentation can also be accessed live from the Investor Relations section on [www.greencore.com](http://www.greencore.com) or alternatively via conference call.

Participants wishing to dial into the conference call can do so using the following details:

Ireland number:	+353 (0)1 431 9615
UK number:	+44 (0)20 7192 8000
US number:	+1 631 510 7495

Confirmation code: 1685147

A replay of the presentation will be available on [www.greencore.com](http://www.greencore.com) and also through a 7 day conference call replay facility.

Ireland replay number: +353 (0)1 553 8777  
UK replay number: +44 (0)33 3300 9785  
US replay number: +1 917 677 7532  
Replay code: 1685147

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**About Greencore**

Greencore is a leading manufacturer of convenience food in the UK. It supplies grocery and other retailers including all of the major UK supermarkets. The Group has strong market positions in a range of categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

On an annual basis, Greencore manufactures around 717 million sandwiches and other food to go products, 123 million chilled prepared meals, and 231 million bottles of cooking sauces, pickles and condiments. The Group carries out around 7,500 deliveries to stores each day.

Greencore has 21 production units in 16 world-class manufacturing sites in the UK, with industry-leading technology and supply chain capabilities. The Group also operates 2 ingredients trading businesses in Ireland. The Group employs c.11,500 people and is headquartered in Dublin, Ireland.

For further information go to [www.greencore.com](http://www.greencore.com) or follow Greencore on social media.

**OPERATING REVIEW<sup>1</sup>**

**Convenience Foods UK & Ireland**

	<b>FY19 £m</b>	<b>FY18 £m</b>	<b>Change (As reported)</b>	<b>Change (Pro Forma basis)</b>
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
- 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.

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 its 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 in Ireland. 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 9.

## **Group Cash Flow and Returns**

	<b>FY19 £m</b>	<b>FY18 £m</b>	<b>Change (as reported)</b>
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 executed on 31 January 2019, with 261,025,641 Ordinary Shares acquired and immediately cancelled by the Group. 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<sup>1</sup>

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 the 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
<b>Exceptional items (before tax)</b>	<b>25.7</b>

Tax credit on exceptional items	0.2
<b>Exceptional items (after tax)</b>	<b>25.9</b>

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 9.

### 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

## 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.

## Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on future Group performance and could cause actual results to differ materially from expected and historical results. The risks and uncertainties are described in detail in the section Risks and Risk Management in the Annual Report and Financial Statements for the year ended 27 September 2019 issued on 26 November 2019.

## Responsibility Statement

Each of the Directors of Greencore Group plc confirm that, to the best of each person's knowledge and belief as required by the Transparency Regulations:

- The 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 27 September 2019; and
- The Financial Statements include 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.

## P.G. Kennedy

Chairman

Date: 25 November 2019

## GROUP INCOME STATEMENT

### For year ended 27 September 2019

	Notes	Pre - exceptional £m	2019 Exceptional (Note 3) £m	Total £m	Pre - exceptional £m	2018 Exceptional (Note 3) £m	Total £m
<b>Continuing operations</b>							
Revenue	2	<b>1,446.1</b>	-	<b>1,446.1</b>	1,498.5	-	1,498.5
Cost of sales		<b>(972.4)</b>	-	<b>(972.4)</b>	(1,023.0)	-	(1,023.0)



<b>Gross profit</b>		<b>473.7</b>	<b>-</b>	<b>473.7</b>	475.5	-	475.5
Operating costs, net		<b>(368.2)</b>	<b>(4.8)</b>	<b>(373.0)</b>	(370.9)	(52.2)	(423.1)
<b>Group Operating Profit before acquisition related amortisation</b>		<b>105.5</b>	<b>(4.8)</b>	<b>100.7</b>	104.6	(52.2)	52.4
Amortisation of acquisition related intangibles		<b>(0.9)</b>	<b>-</b>	<b>(0.9)</b>	(2.6)	-	(2.6)
<b>Group Operating Profit</b>		<b>104.6</b>	<b>(4.8)</b>	<b>99.8</b>	102.0	(52.2)	49.8
Finance income	7	<b>0.8</b>	<b>-</b>	<b>0.8</b>	0.2	-	0.2
Finance costs	7	<b>(19.7)</b>	<b>(25.4)</b>	<b>(45.1)</b>	(33.1)	-	(33.1)
Share of profit of associates after tax		<b>0.9</b>	<b>-</b>	<b>0.9</b>	0.9	-	0.9
<b>Profit before taxation</b>		<b>86.6</b>	<b>(30.2)</b>	<b>56.4</b>	70.0	(52.2)	17.8
Taxation		<b>(13.2)</b>	<b>0.2</b>	<b>(13.0)</b>	(13.0)	7.8	(5.2)
<b>Profit for the period from continuing operations</b>		<b>73.4</b>	<b>(30.0)</b>	<b>43.4</b>	57.0	(44.4)	12.6
<b>Discontinued Operations</b>							
Result from discontinued operations	9	<b>8.9</b>	<b>55.9</b>	<b>64.8</b>	31.2	(7.3)	23.9
<b>Profit for the financial year</b>		<b>82.3</b>	<b>25.9</b>	<b>108.2</b>	88.2	(51.7)	36.5
<b>Attributable to:</b>							
Equity shareholders		<b>80.1</b>	<b>25.9</b>	<b>106.0</b>	85.5	(51.7)	33.8
Non-controlling interests		<b>2.2</b>	<b>-</b>	<b>2.2</b>	2.7	-	2.7
		<b>82.3</b>	<b>25.9</b>	<b>108.2</b>	88.2	(51.7)	36.5
<b>Earnings per share (pence) - continuing operations</b>							
Basic earnings per share	6			<b>7.7</b>			1.4
Diluted earnings per share	6			<b>7.7</b>			1.4
<b>Earnings per share (pence) - total</b>							
Basic earnings per share	6			<b>19.9</b>			4.8
Diluted earnings per share	6			<b>19.9</b>			4.8

**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**for year ended 27 September 2019**

	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Items of comprehensive income taken directly to equity for continuing and discontinued operations</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial (loss)/gain on Group legacy defined benefit pension schemes	<b>(13.3)</b>	24.3
Tax credit / (charge) on Group legacy defined benefit pension schemes	<b>2.9</b>	(4.5)
	<b>(10.4)</b>	19.8
<b>Items that may subsequently be reclassified to profit or loss:</b>		
Currency translation adjustment	<b>10.3</b>	15.4
Translation reserve transferred to Income Statement on discontinued operation	<b>(24.5)</b>	-
Hedge of net investment in foreign currency subsidiaries	<b>-</b>	(10.6)
Net Investment hedge transferred to Income Statement for the year	<b>22.3</b>	-
Cash flow hedges:		
fair value movement taken to equity	<b>0.2</b>	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
<b>Total comprehensive income for the financial year</b>	<b>106.4</b>	<b>71.1</b>
<b>Attributable to:</b>		
Equity shareholders	104.2	68.4
Non-controlling interests	2.2	2.7
<b>Total comprehensive income for the financial year</b>	<b>106.4</b>	<b>71.1</b>
<b>Attributable to:</b>		
Continuing operations	49.8	27.4
Discontinued operations	56.6	43.7
<b>Total comprehensive income for the financial year</b>	<b>106.4</b>	<b>71.1</b>

## GROUP STATEMENT OF FINANCIAL POSITION at 27 September 2019

	Notes	2019 £m	2018 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and intangible assets		483.3	425.3
Property, plant and equipment		332.5	323.0
Investment property		5.8	6.3
Investment in associates		1.2	1.3
Retirement benefit assets	8	36.4	15.3
Derivative financial instruments		5.5	0.5
Deferred tax assets		37.1	41.7
<b>Total non-current assets</b>		<b>901.8</b>	<b>813.4</b>
<b>Current assets</b>			
Inventories		45.9	39.1
Trade and other receivables		173.8	181.0
Derivative financial instruments		-	0.3
Cash and cash equivalents	7	41.6	37.0
Current tax receivable		0.7	-
Assets held for sale	9	-	944.7
<b>Total current assets</b>		<b>262.0</b>	<b>1,202.1</b>
<b>Total assets</b>		<b>1,163.8</b>	<b>2,015.5</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		4.5	7.1
Share premium		0.1	650.8
Reserves		294.8	79.3
		299.4	737.2
Non-controlling interests		6.4	6.4
<b>Total equity</b>		<b>305.8</b>	<b>743.6</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	330.1	537.9
Derivative financial instruments		3.3	13.4

Retirement benefit obligations	8	<b>128.4</b>	104.6
Other payables		<b>3.7</b>	3.7
Provisions		<b>6.7</b>	8.9
Deferred tax liabilities		<b>6.9</b>	4.2
<b>Total non-current liabilities</b>		<b>479.1</b>	672.7
<b>Current liabilities</b>			
Borrowings	7	-	0.2
Derivative financial instruments		<b>0.3</b>	0.1
Trade and other payables		<b>358.4</b>	377.9
Provisions		<b>5.5</b>	6.7
Current tax payable		<b>14.7</b>	11.3
Liabilities directly associated with assets held for sale	9	-	203.0
<b>Total current liabilities</b>		<b>378.9</b>	599.2
<b>Total liabilities</b>		<b>858.0</b>	1,271.9
<b>Total equity and liabilities</b>		<b>1,163.8</b>	2,015.5

**GROUP STATEMENT OF CASH FLOWS**  
for the year ended 27 September 2019

	Notes	<b>2019</b> £m	2018 £m
Profit before taxation		<b>56.4</b>	17.8
Finance income	7	<b>(0.8)</b>	(0.2)
Finance costs	7	<b>19.7</b>	33.1
Share of profit of associates (after tax)		<b>(0.9)</b>	(0.9)
Exceptional items	3	<b>30.2</b>	52.2
<b>Continuing Operating Profit (pre-exceptional)</b>		<b>104.6</b>	102.0
Discontinued Operating Profit (pre-exceptional)		<b>9.1</b>	30.4
<b>Operating Profit (pre-exceptional)</b>		<b>113.7</b>	132.4
Depreciation of property, plant and equipment		<b>32.9</b>	47.3
Amortisation of intangible assets		<b>4.5</b>	25.3
Employee share-based payment expense		<b>3.6</b>	1.6
Contributions to legacy defined benefit pension scheme		<b>(16.0)</b>	(15.1)
Working capital movement		<b>(22.8)</b>	(15.9)
Other movements		<b>0.8</b>	(3.2)
<b>Net cash inflow from operating activities (pre-exceptional)</b>		<b>116.7</b>	172.4
Cash outflow related to exceptional items		<b>(9.6)</b>	(15.0)
Interest paid		<b>(16.9)</b>	(26.7)
Tax paid		<b>(3.5)</b>	(0.9)
<b>Net cash inflow from operating activities</b>		<b>86.7</b>	129.8
<b>Cash flow from investing activities</b>			
Dividends received from associates		<b>1.0</b>	0.8
Purchase of property, plant and equipment		<b>(39.6)</b>	(60.5)
Purchase of intangible assets		<b>(4.6)</b>	(3.0)
Acquisition of undertakings	4	<b>(56.2)</b>	-
Disposal of undertakings	9	<b>811.9</b>	-
Disposal of investment property		<b>0.5</b>	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>713.0</b>	(62.7)
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares		<b>0.1</b>	0.2
Ordinary shares purchased - own shares		<b>(0.6)</b>	(2.0)

Capital return via tender offer		(509.0)	-
Drawdown of bank borrowings	7	67.0	-
Repayment of bank borrowings		(210.0)	(9.6)
Repayment of non-bank borrowings		(63.1)	(1.3)
Repayment of private placement notes		(14.6)	-
Termination of swaps		(12.6)	-
Decrease in finance lease liabilities		(0.4)	-
Dividends paid to equity holders of the Company		(50.3)	(35.7)
Dividends paid to non-controlling interests		(2.2)	(1.5)
<b>Net cash outflow from financing activities</b>		<b>(795.7)</b>	<b>(49.9)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4.0</b>	<b>17.2</b>
<b>Reconciliation of opening to closing cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		37.0	19.8
Translation adjustment		0.6	-
Increase in cash and cash equivalents		4.0	17.2
<b>Cash and cash equivalents at end of year</b>		<b>41.6</b>	<b>37.0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 27 September 2019

#### 1. Basis of preparation

The financial information included within this full year results statement has been extracted from the audited Consolidated Financial Statements of Greencore Group plc for the year ended 27 September 2019, to which an unqualified audit opinion is attached. Full details of the basis of preparation of the Group Financial Statements for the year ended 27 September 2019 are included in Note 1 of the 2019 Annual Report.

The directors, after making enquiries 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 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.

The financial information presented in this full year results statement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations adopted by the European Union (EU).

Following the disposal of Greencore's US business which was completed in November 2018, in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the results of Greencore's US business have been presented within profit from discontinued operations in the Group Income Statement.

#### New Standards and Interpretation

##### 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.

In line with the new impairment model, 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 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 on how the Group accounts for effective hedges.

The new IFRS 9 classification rules did not impact the measurement or carrying amount of the Group's financial assets on transition.

### **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.

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 trading 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 the 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.

### **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 of 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'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 Group 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.

## 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).

	<b>Convenience Foods UK &amp; Ireland</b>	
	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Revenue</b>	<b>1,446.1</b>	1,498.5
<b>Group operating profit before exceptional items and amortisation of acquisition related intangible assets</b>	<b>105.5</b>	104.6
Amortisation of acquisition related intangible assets	<b>(0.9)</b>	(2.6)
Exceptional items	<b>(4.8)</b>	(52.2)
<b>Group operating profit</b>	<b>99.8</b>	49.8
Finance income	<b>0.8</b>	0.2
Finance costs	<b>(45.1)</b>	(33.1)
Share of profit of associates after tax	<b>0.9</b>	0.9
Taxation	<b>(13.0)</b>	(5.2)
Results from discontinued operations	<b>64.8</b>	23.9
<b>Profit for the period</b>	<b>108.2</b>	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.

	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Revenue</b>		
Food to go categories	<b>962.5</b>	929.4
Other convenience categories	<b>483.6</b>	569.1
<b>Total revenue for Convenience Foods UK &amp; Ireland</b>	<b>1,446.1</b>	1,498.5

Food to go categories includes sandwiches, salads, sushi and chilled snacking while the other convenience categories includes 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.

## 3. 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		
		Continuing Operations	Discontinued Operations	Total
		£m	£m	£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
<b>Total exceptional items</b>		<b>(30.0)</b>	<b>55.9</b>	<b>25.9</b>

		2018		
		Continuing Operations	Discontinued Operations	Total
		£m	£m	£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
<b>Total exceptional items</b>		<b>(44.4)</b>	<b>(7.3)</b>	<b>(51.7)</b>

## 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 4.

### (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 ended 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.

**(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 9.

**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 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's US business 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 charges 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.

#### 4. 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.

The provisional fair value of the assets acquired, determined in accordance with IFRS, were as follows:

	2019
	£m
<b>Assets</b>	
Intangible assets	17.5
Property, plant and equipment	5.3
Inventory	1.2
Current tax receivable	0.5
Trade and other receivables	11.7
<b>Total assets</b>	<b>36.2</b>
<b>Liabilities</b>	
Provisions	(0.1)
Deferred tax liabilities	(3.1)
Trade and other payables	(14.2)
Current tax payable	(1.3)
<b>Total liabilities</b>	<b>(18.7)</b>
<b>Net assets acquired</b>	<b>17.5</b>
Goodwill	38.7
<b>Total enterprise value</b>	<b>56.2</b>
<b>Satisfied by:</b>	
Cash payments	65.2
Cash and cash equivalents acquired	(9.2)
Working capital consideration	0.2
<b>Net cash outflow</b>	<b>56.2</b>

The fair values of the acquired net assets have been determined provisionally as at the 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.

## 5. Dividends Paid and Proposed

	2019 £m	2018 £m
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Equity dividends on Ordinary Shares:		
Final dividend of 3.37 pence for the year ended 28 September 2018 (2017: 3.37 pence)	<b>23.8</b>	23.8
Interim dividend of 2.45 pence for the year ended 27 September 2019 (2018: 2.20 pence)	<b>10.9</b>	15.6
<b>Total</b>	<b>34.7</b>	39.4
<b>Proposed for approval at AGM:</b>		
Equity dividends on Ordinary Shares:		
Final Dividend of 3.75 pence for the year ended 27 September 2019 (2018: 3.37 pence)	<b>16.7</b>	23.8

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.

## 6. 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 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 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 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 Continuing operations £m	2019 Discontinued operations £m	2019 Total £m	2018 Continuing operations £m	2018 Discontinued operations £m	2018 Total £m
<b>Profit attributable to equity holders of the Company (numerator for basic earnings per share calculations)</b>	<b>41.2</b>	<b>64.8</b>	<b>106.0</b>	9.9	23.9	33.8
Exceptional items (net of tax)	<b>30.0</b>	<b>(55.9)</b>	<b>(25.9)</b>	44.4	7.3	51.7
Movement of 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
<b>Numerator for adjusted earnings per share calculations</b>	<b>76.0</b>	<b>8.9</b>	<b>84.9</b>	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)	-
<b>Weighted average number of Ordinary Shares in issue during the year</b>	<b>531,971</b>	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 purposes 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
<b>Weighted average number of Ordinary Shares for diluted earnings per share</b>	<b>533,558</b>	704,059

#### Earnings Per Share Calculations

	2019			2018		
	Continuing operations pence	Discontinued operations pence	Total pence	Continuing operations pence	Discontinued operations pence	Total pence
<b>Basic earnings per Ordinary Share</b>	7.7	12.2	19.9	1.4	3.4	4.8
<b>Adjusted earnings per Ordinary Share</b>			16.0			15.1

	2019			2018		
	Continuing operations pence	Discontinued operations pence	Total pence	Continuing operations pence	Discontinued operations pence	Total pence
<b>Diluted earnings per Ordinary Share</b>	7.7	12.2	19.9	1.4	3.4	4.8
<b>Adjusted diluted earnings per Ordinary</b>						

## 7. Components of Net Debt and Financing

The cash flows from financing activities are set out in the Group Statement of Cashflows.

### Net Debt

	2019 £m	2018 £m
Cash and cash equivalents (net of bank overdraft)	41.6	37.0
Bank borrowings	(213.9)	(350.5)
Private placement notes	(116.2)	(124.8)
Non-bank borrowings	-	(62.3)
Finance leases	-	(0.5)
<b>Group Net Debt</b>	<b>(288.5)</b>	<b>(501.1)</b>

	2019 £m	2018 £m
<b>Net Finance Costs - continuing operations</b>		
Net finance costs on interest bearing cash and cash equivalents, borrowings and other financing costs	(14.2)	(26.1)
Pension financing	(2.5)	(3.4)
Interest on obligations under finance leases	-	(0.1)
Unwind of discount on liabilities	(0.1)	-
Fair value of derivative financial instruments and related debt adjustments	(0.9)	(3.4)
FX on inter-company and external balances where hedge accounting is not applied	(1.2)	0.1
	<b>(18.9)</b>	<b>(32.9)</b>
<b>Analysed as:</b>		
Finance income	0.8	0.2
Finance costs	(19.7)	(33.1)
	<b>(18.9)</b>	<b>(32.9)</b>

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.

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).

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%.

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.

## 8. Retirement Benefit 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.

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*.

In consultation with the independent actuaries to the scheme, the valuation of pension obligations have been updated to reflect current market discount rates, rates of increase in salaries, pension payments and inflation, current market values of investments and actual investment returns.

The principal actuarial assumptions are as follows:

	UK Schemes		Irish Schemes	
	2019	2018	2019	2018
Rate of increase in pension payments *	<b>2.95%</b>	3.10%	<b>0.00%</b>	0.00%
Discount rate	<b>1.80%</b>	2.90%	<b>0.85%</b>	1.60%
Inflation rate**	<b>3.05%</b>	3.20%	<b>1.50%</b>	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 Scheme that have an entitlement to pension indexation.

\*\*Inflation is Retail Price Index (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.

	UK Schemes £m	Irish Schemes £m	2019 Total £m	2018 Total £m
Fair value of plan assets	<b>251.3</b>	<b>273.4</b>	<b>524.7</b>	473.4
Present value of scheme liabilities	<b>(378.8)</b>	<b>(237.9)</b>	<b>(616.7)</b>	(562.7)
(Deficit)/surplus in schemes	<b>(127.5)</b>	<b>35.5</b>	<b>(92.0)</b>	(89.3)
Deferred tax asset	<b>21.6</b>	<b>(4.4)</b>	<b>17.2</b>	15.7
<b>Net (liability)/asset at end of year</b>	<b>(105.9)</b>	<b>31.1</b>	<b>(74.8)</b>	(73.6)

**Presented as:**

Retirement benefit asset*	<b>36.4</b>	15.3
Retirement benefit obligation	<b>(128.4)</b>	(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 a refund of a surplus from the remaining assets of a plan at the end of the plan's life.

## 7. Discontinued Operations and Disposal of Undertakings

### Greencore 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	<b>172.8</b>	1,061.8
Cost of sales	<b>(136.4)</b>	(836.2)

<b>Gross profit</b>	<b>36.4</b>	225.6
Operating costs, net	<b>(27.3)</b>	(177.6)
<b>Group Operating Profit before acquisition related amortisation and exceptional items</b>	<b>9.1</b>	48.0
Amortisation of acquisition related intangibles	-	(17.6)
<b>Group Operating Profit before exceptional items</b>	<b>9.1</b>	30.4
Exceptional items	<b>55.9</b>	(27.9)
Finance costs	<b>(0.2)</b>	(1.0)
Taxation	-	22.4
<b>Profit for the year from discontinued operations</b>	<b>64.8</b>	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:**

	<b>2019</b>	2018
	<b>£m</b>	£m
Discontinued operating profit	<b>9.1</b>	30.4
Working capital movement	<b>(21.2)</b>	(7.3)
Other movements	<b>(0.1)</b>	32.7
Cash flows from operating activities	<b>(12.2)</b>	55.8
Cash flows from investing activities	<b>(1.2)</b>	(11.9)
Cash flows for financing activities	-	(0.5)
<b>Net cash flow for the year</b>	<b>(13.4)</b>	43.4

**Effect of disposal on the financial statements:**

	<b>2019</b>
	<b>£m</b>
Goodwill and intangibles assets	<b>(658.7)</b>
Property, plant and equipment	<b>(126.3)</b>
Deferred tax assets	<b>(28.6)</b>
Inventory	<b>(38.7)</b>
Trade and other receivables	<b>(104.8)</b>
Cash and cash equivalents	<b>(10.0)</b>
Trade and other payables	<b>84.5</b>
Provisions for liabilities	<b>22.5</b>
Deferred tax liabilities	<b>71.1</b>
<b>Net assets and liabilities disposed of</b>	<b>(789.0)</b>

**Disposal consideration**

Total consideration*	<b>827.5</b>
Working capital adjustments	<b>12.4</b>
Provision for legal and onerous contracts	<b>(1.6)</b>
Transaction and separation related costs	<b>(17.9)</b>
<b>Total net consideration</b>	<b>820.4</b>

Translation reserve classification to Income Statement on disposal	<b>24.5</b>
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<b>Profit on disposal</b>	<b>55.9</b>
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\*This includes a £15.1m loss relating to a foreign currency exchange contract put in place to hedge the proceeds

**Reconciliation of consideration to cash received:**

	<b>2019</b>
	<b>£m</b>
Total consideration	<b>827.5</b>
Cash received in respect of working capital adjustments	<b>12.4</b>
Transaction and separation costs paid	<b>(19.0)</b>
<b>Net consideration received on completion</b>	<b>820.9</b>
Cash and cash equivalents disposed of	<b>(10.0)</b>

**Assets and liabilities of the 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
<b>Assets held for sale</b>	-	944.7
Trade and other payables	-	111.4
Provisions for liabilities	-	22.0
Deferred tax liabilities	-	69.6
<b>Liabilities directly associated with the assets held for sale</b>	-	203.0

**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:**

	2019 £m
Greencore's US business	810.9
Hull	1.0
<b>Net cash inflow arising from disposal of undertakings</b>	<b>811.9</b>

**9. Information**

Copies of the Yearly Financial Report are available for download from the Group's website at [www.greencore.com](http://www.greencore.com).

**APPENDIX: ALTERNATIVE PERFORMANCE MEASURES**

The Group uses the following Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole: Pro Forma Revenue Growth, Adjusted EBITDA, Adjusted Operating Profit, Adjusted Operating Margin, Adjusted Profit before Tax ('PBT'), Adjusted Earnings, Adjusted Earnings per Share, Maintenance and Strategic Capital Expenditure, Operating Cash Flow, Free Cash Flow, 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.

**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 acquisition of Freshtime 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%
<b>Pro Forma Revenue Growth (%)</b>	<b>2.6%</b>

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 19 %	H2 19 %	Full Year %	H1 19 %	H2 19 %	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%
<b>Pro Forma Revenue Growth (%)</b>	<b>7.0%</b>	<b>0.3%</b>	<b>3.3%</b>	<b>2.8%</b>	<b>(0.4%)</b>	<b>1.2%</b>

#### 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 intangible 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 & Ireland £m	Discontinued operations £m	Total £m	Convenience Foods UK & Ireland £m	Discontinued operations £m	Total £m
<b>Profit for the financial year</b>	<b>43.4</b>	<b>64.8</b>	<b>108.2</b>	12.6	23.9	36.5
Taxation <sup>(A)</sup>	13.0	-	13.0	5.2	(22.4)	(17.2)
Net finance costs <sup>(B)</sup>	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
<b>Adjusted Operating Profit</b>	<b>105.5</b>	<b>9.1</b>	<b>114.6</b>	104.6	48.0	152.6
Depreciation and amortisation <sup>(C)</sup>	36.5	-	36.5	35.4	17.0	52.4
<b>Adjusted EBITDA</b>	<b>142.0</b>	<b>9.1</b>	<b>151.1</b>	140.0	65.0	205.0
<b>Adjusted Operating Margin (%)</b>	<b>7.3%</b>	<b>5.3%</b>	<b>7.1%</b>	7.0%	4.5%	6.0%

<sup>(A)</sup> 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 associates 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
<b>Profit before taxation for continuing operations</b>	<b>56.4</b>	17.8
Taxation on share of profit of associates	<b>0.2</b>	0.3
Exceptional items	<b>30.2</b>	52.2
Pension finance items	<b>2.5</b>	3.4
Amortisation of acquisition related intangibles	<b>0.9</b>	2.6
FX and fair value movements <sup>(A)</sup>	<b>2.1</b>	3.3
<b>Adjusted Profit Before Tax for continuing operations</b>	<b>92.3</b>	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 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.

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
<b>Profit attributable to equity holders of the Group</b>	<b>106.0</b>	33.8
Exceptional items (net of tax)	<b>(25.9)</b>	51.7
FX effect on inter-company and external balances where hedge accounting is not applied	<b>1.2</b>	(0.1)
Movement in fair value of derivative financial instruments and related debt adjustments	<b>0.9</b>	3.4
Amortisation of acquisition related intangible assets (net of tax)	<b>0.7</b>	14.4
Pension financing (net of tax)	<b>2.0</b>	2.7
<b>Adjusted Earnings</b>	<b>84.9</b>	105.9

	2019 '000	2018 '000
<b>Weighted average number of ordinary shares in issue during the year</b>	<b>531,971</b>	703,312

	2019 pence	2018 pence
<b>Adjusted Earnings Per Share</b>	<b>16.0</b>	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 Group's purchase of property, plant and equipment and purchase of intangible assets between Strategic Capital Expenditure and Maintenance Capital Expenditure:

	2019			2018		
	Convenience	Discontinued operations	Total	Convenience	Discontinued operations	Total
	Foods			Foods		
	UK & Ireland £m			UK & Ireland £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
<b>Net cash outflow from capital expenditure</b>	<b>43.0</b>	<b>1.2</b>	<b>44.2</b>	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
<b>Net cash outflow from capital expenditure</b>	<b>43.0</b>	<b>1.2</b>	<b>44.2</b>	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	Discontinued operations	Total	Convenience	Discontinued operations	Total
	Foods			Foods		
	UK & Ireland £m			UK & Ireland £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)
<b>Net cash inflow/(outflow) from operating and investing activities</b>	<b>813.1</b>	<b>(13.4)</b>	<b>799.7</b>	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 interest	(2.2)	-	(2.2)	(1.5)	-	(1.5)
<b>Free Cash Flow</b>	<b>67.1</b>	<b>(12.2)</b>	<b>54.9</b>	46.3	46.1	92.4
<b>Adjusted EBITDA</b>	<b>142.0</b>	<b>9.1</b>	<b>151.1</b>	140.0	65.0	205.0
<b>Free Cash Flow Conversion (%)</b>	<b>47.3</b>	<b>(134.1)</b>	<b>36.3</b>	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)
<b>Total borrowings</b>	<b>(330.1)</b>	<b>(538.1)</b>
Cash and cash equivalents	41.6	37.0
<b>Net Debt</b>	<b>(288.5)</b>	<b>(501.1)</b>

## 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 together 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.

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
<b>Adjusted Operating Profit</b>	<b>105.5</b>	104.6
Share of profit of associates before tax	1.1	1.1
Taxation at the effective tax rate <sup>(A)</sup>	(16.0)	(13.7)
<b>Group NOPAT</b>	<b>90.6</b>	92.0

	2019 £m	2018 £m
<b>Invested Capital</b>		
Total assets	1,163.8	2,015.5

Total liabilities	<b>(858.0)</b>	(1,271.9)
Net Debt	<b>288.5</b>	501.1
Derivatives not designated as fair value hedges	<b>(1.9)</b>	12.7
Retirement benefit obligation (net of deferred tax asset)	<b>74.8</b>	73.6
Net assets of the disposal group held for sale	-	(741.7)
<b>Invested Capital for the Group (B)</b>	<b>667.2</b>	589.3
<b>Average Invested Capital for ROIC calculation for the Group</b>	<b>628.3</b>	590.4
<b>ROIC for the Group (%)</b>	<b>14.4</b>	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 increased tax rate.

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