GREENCORE GROUP PLC

Annual Report and Financial Statements 2017

Introduction

to Greencore

Greencore is a leading international manufacturer of convenience food with an annual turnover of over £2.3 billion. We employ approximately 16,000 employees across 31 manufacturing facilities in the US and the UK.

STRATEGIC REPORT

Overview

Highlights 1

Overview 2

Chairman's Statement 4

Our Strategy

Business Model 8

Chief Executive's Review 10

Strategy 13

Financial Key Performance Indicators 20

Non-financial Key Performance Indicators 22

Risks and Risk Management 24

Corporate Social Responsibility Report 2017 30

Performance Review

Operating and Financial Review 42

Group Executive Board 49

DIRECTORS' REPORT

Board of Directors 50

Directors' Report 52

Corporate Governance Report 56

Report on Directors' Remuneration 63

Report of the Audit Committee 94

Report of the Nomination and Governance Committee 101

Statement of Directors' Responsibilities 103

FINANCIAL STATEMENTS

Independent Auditor's Report 105

Group Income Statement 111

Group Statement of Recognised Income and Expense 112

Group Balance Sheet 113

Group Cash Flow Statement 114

Group Statement of Changes in Equity 115

Notes to the Group Financial Statements 117

Company Balance Sheet 170

Notes to the Company Financial Statements 171

OTHER INFORMATION

Alternative Performance Measures 176

Shareholder and Other Information IBC

Highlights

of the year*

Significant growth and progress in a challenging year.

- Acquisition of Peacock Foods in the US
- Substantial investment programme in the UK

Employees across the UK, the US and Ireland

c. 16,000

UK manufacturing facilities

17

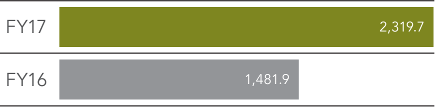
US manufacturing facilities

14

Revenue

£2,319.7m

+56.5%



Adjusted Operating Profit

£140.1m

+37.4%

Adjusted EPS

15.4p

-3.8%

Pro Forma Revenue Growth

+9.4%

Group Operating Profit

£42.7m

(FY16: £75.4m)

Basic EPS

1.9p

(FY16: 9.5p)

Operating Cash Flow

£117.8m

+£3.9m

ROIC

12.2%

-160bps

*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 176 to 179.

Certain statements made in this Annual Report are forward-looking. These represent expectations for the Group's business, and involve risks and uncertainties. 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', 'anticipates', 'should', 'expects', 'is expected to', 'estimates', 'believes', 'intends' 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 update these forward-looking statements other than as required by law.

Overview

Greencore holds strong market positions in both the UK and the US.

US

US Central Office
US Manufacturing Sites

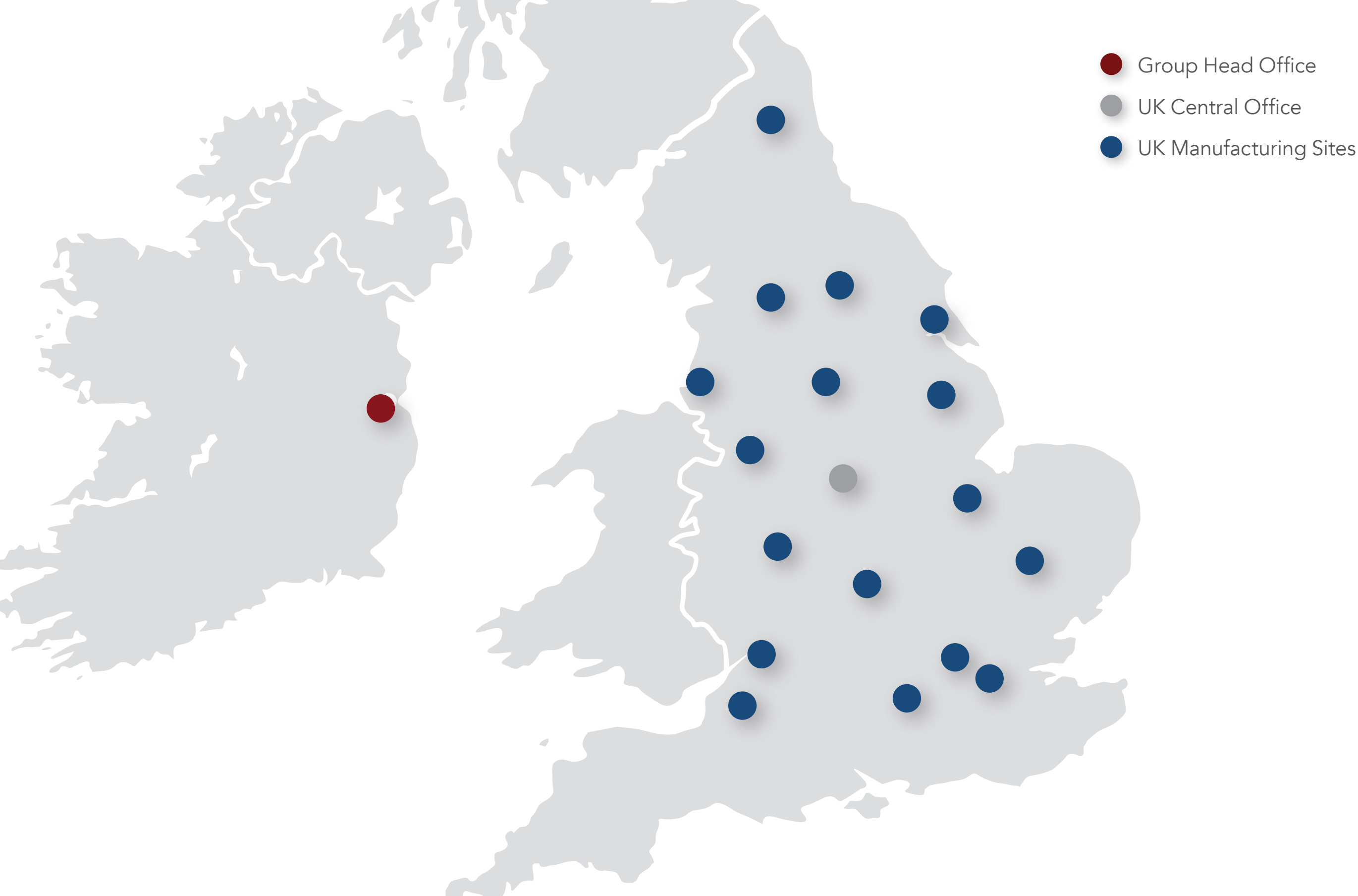
850m
sandwiches

388m
lunch kits

301m
salad kits

Source: Greencore data.

UK and Ireland



691m
sandwiches and other food to go items

143m
chilled ready meals

137m
jars of cooking sauce

Chairman's Statement*

Gary Kennedy

Progress on many fronts

The acquisition of Peacock Foods in the US and investments in the UK have transformed Greencore in what has been a demanding year.

DEAR SHAREHOLDER,

FY17 has been both a challenging and rewarding year. We made our largest acquisition ever in the US and have step-changed our UK business through organic growth. There were some challenges in delivering a programme of such complexity, with an impact on operating leverage in the period and with considerable investment and restructuring charges incurred. However, as a result of the significant activity delivered in the year, we are now well positioned to secure profitable growth and returns in the coming years.

STRATEGIC DEVELOPMENT

In FY17 we made further progress in achieving our vision to become a fast-growing, international convenience food leader. This vision and our strategy shape the direction of the Group. A complete outline of our strategic framework is provided on pages 13 to 17, with examples of how this was implemented in FY17 and the priorities in place for FY18.

The key highlight of the year was the completion of the acquisition of Peacock Foods on 30 December 2016. The acquisition transforms our market and channel position in the US and has given us a growth platform of real scale. The enlarged US business has a well invested network, serving a diversified customer base across multiple channels. Integration is on track and the focus is on exploiting the potential of the commercial pipeline of outsourcing and innovation-led opportunities.

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In the UK we strengthened our leadership position in the food to go category with several significant business wins and commercial launches delivered to plan, and contracts extended with core customers. We have completed a phase of network investment in Food to Go, and have added further capacity through the acquisition of the Heathrow facility. We have also made a substantial investment in the UK ready meals network, and have rationalised the UK portfolio with the planned exit from the desserts manufacturing business in Evercreech. Finally, we have begun a process of streamlining our UK organisation which will help underpin overall performance in the medium term.

BREXIT

Although the exact nature of changes to come as a result of Brexit remains unclear, the Board 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.

FINANCIAL PERFORMANCE

We assess financial performance across the Group using a framework of profitability, return and cash flow measures. This framework underpins our financial Key Performance Indicators (pages 20 and 21) and our criteria for remuneration (pages 63 to 93).

Performance in the year has been challenging at times, reflecting the significant operational investments and strategic change in the period.

Reported revenue in the year was £2,319.7m, an increase of 56.5% versus FY16, and Adjusted Operating Profit grew by 37.4% to £140.1m, both primarily driven by the acquisition of Peacock Foods. Adjusted Operating Margin was 6.0%, 90 basis points below the prior year, primarily due to the impact of the acquisition of Peacock Foods and the significant commercial investments in the UK. Adjusted EPS declined by 3.8% to 15.4p reflecting the increase in Adjusted Operating Profit, offset by a higher tax rate, a higher finance charge and the impact of an increased number of shares as a result of the rights issue which part funded the Peacock Foods acquisition. Basic EPS declined by 80.0% to 1.9p. This was because the Group incurred a pre-tax exceptional charge of £78.2m in the period. This amount was higher than we would have liked, in particular the £29.7m impairment charge for software assets. This related to our decision not to proceed with the planned rollout of a common Enterprise Resource Planning ('ERP') platform across the UK business. Whilst I believe this decision is necessary, the impairment is nonetheless unsatisfactory.

I have been pleased with the increased focus on cash flow and returns. This will be a theme for the business in FY18 and beyond.

DIVIDENDS

The Board of Directors is recommending a final dividend of 3.37 pence per share. This will result in a total dividend for the year of 5.47 pence per share (FY16: 5.47 pence per share). The total dividend represents a pay-out amount of approximately 38% of Adjusted Earnings, in line with the policy to maintain an annual dividend pay-out equivalent to 30–40% of Adjusted Earnings.

CORPORATE GOVERNANCE

In line with the above developments in FY17, we continued to develop our corporate governance practices. We have made progress in strengthening our corporate culture and corporate governance framework, increasing the transparency of our remuneration structures and improving our engagement with shareholders. I recognise this is an important and constantly evolving process.

One of the Board's top priorities was to absorb the lessons from the large number of votes against two remuneration-based resolutions at the Annual General Meeting in January 2017. During the year, the Remuneration Committee Chair and I engaged with our largest shareholders on the future developments in relation to our remuneration approach. I found the shareholder engagement very valuable in trying to understand the range of perspectives on our remuneration and I would like to thank our shareholders for their input. The Remuneration Committee having viewed shareholder feedback holistically, made detailed proposals to the Board which have all been adopted and are presented in the Report on Directors' Remuneration on pages 63 to 93.

The acquisition of Peacock Foods in the US and importance of that geography to the Group has led to some governance changes. We have created a Group US Advisory Council to help inform us on market, commercial and regulatory matters. We have co-opted Tom Sampson, previously CEO of Peacock Foods and Kevin O'Malley, recently retired US Ambassador to Ireland, to the Board. Both are US residents and I warmly welcome them to the Group. Tom will also chair the Group's US Advisory Council.

As part of our ongoing planned Board development Eric Nicoli, who was appointed as Non-Executive Director in May 2010 will retire after the December Board meeting. I would like to thank Eric for his outstanding service and contribution to the Group and his valuable personal counsel to myself over the past seven years in Greencore. In addition to being the Senior Independent Director, Eric was a member of the Nomination Committee and previously chaired the Remuneration Committee. Upon his retirement, Sly Bailey will take over the role as Senior Independent Director.

CULTURE AND VALUES

FY17 was a demanding year for our employees especially as we progressed to transform the UK and the US business. Throughout our operations, regardless of geography, The Greencore Way continues to drive our culture and our values. Through my visits to the sites during the year, I witnessed the commitment and input of all of our employees and I want to take this opportunity to thank all our employees for their dedication and hard work throughout the year. I am particularly impressed by the way our new employees have integrated and strengthened our capabilities in many areas.

OUTLOOK

Greencore anticipates delivering a year of strong growth in FY18 and is well positioned to drive improved profitability, cash flow and returns over the medium term. Building on what has been an intense phase of strategic progress and network investment, Greencore will now take advantage of its exposure to higher growth categories in the UK and US convenience food markets.

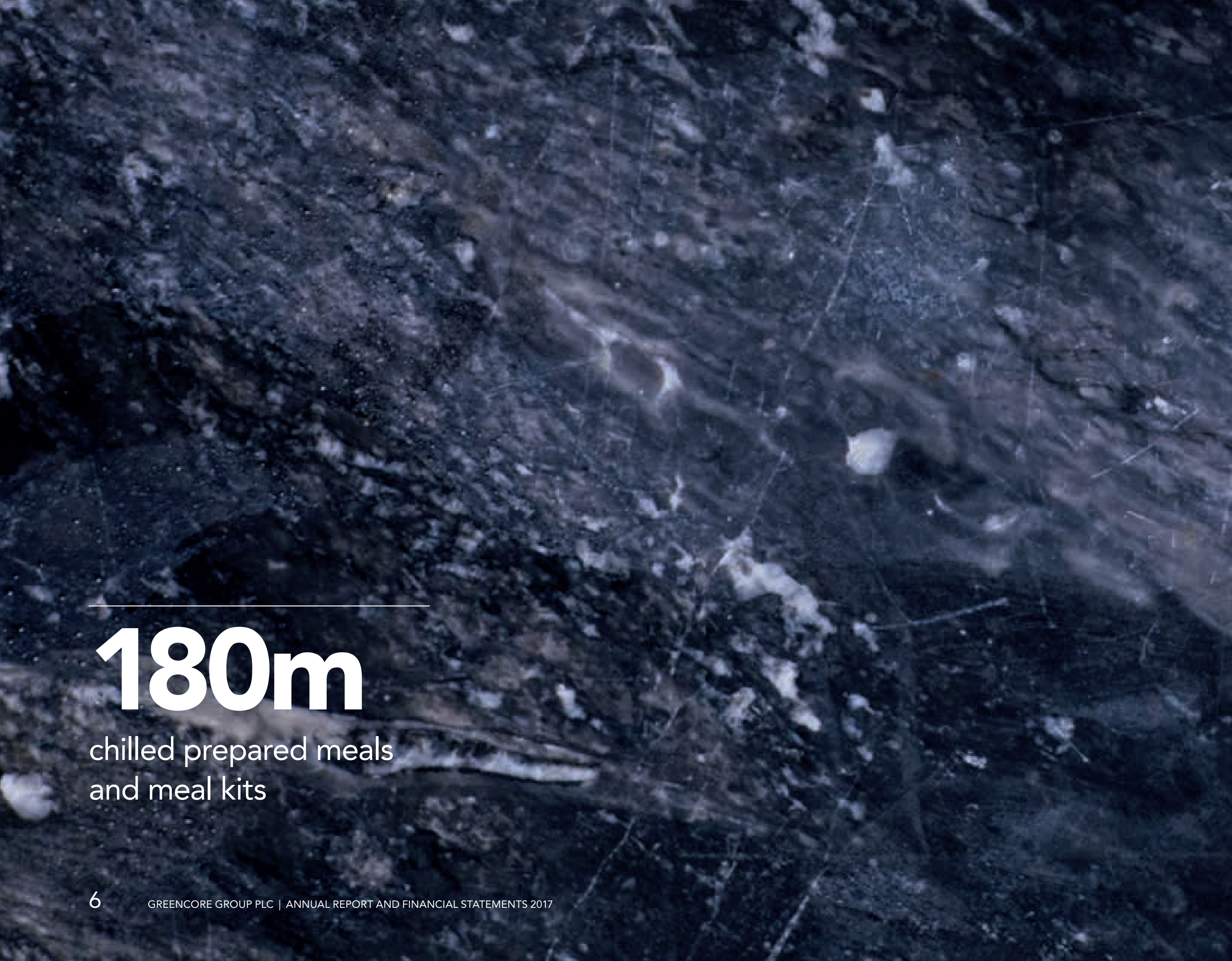
The Group anticipates good revenue growth in FY18, driven by a full-year contribution from Peacock Foods and organic growth in both the UK and the US. Further new business wins are expected in the US, the financial impact of which will be determined by the phasing of commercial execution. The Group anticipates that the UK business will see a modest improvement in operating leverage despite continued inflationary pressures, and that the US division will benefit from the delivery of further cost synergies. The rate of EPS growth is expected to be moderated by an increasing tax rate. The Group also anticipates that by the end of the year it will be approaching its benchmark leverage ratio of approximately 2x Net Debt to EBITDA.

GARY KENNEDY
Chairman
27 November 2017

convenience

Consumers are looking for more convenient solutions to suit their changing lifestyles.

Spiced salmon meal kit.



180m

chilled prepared meals and meal kits

Business Model

VISION

To be a fast-growing, international convenience food leader

WHERE WE PLAY

Focus on categories with strong underlying growth that are supported by long-term customer and consumer trends. In the UK we focus on sandwiches and food to go products supported by complementary positions in other convenience food categories. In the US we primarily manufacture sandwiches, lunch kits and salad kits.

Serve multiple customers that are the largest and most relevant in their local markets, developing enduring partnerships with these over time. In the UK, this includes supply to all of the major UK supermarkets, whereas in the US we serve the largest US food brands including leaders in Consumer Packaged Goods ('CPG'), convenience retail and food service.

Leverage our expertise in food manufacturing by favouring processes that are people intensive and in the high-care environments required for 'ready to eat' products.

Prioritise capital for businesses where we have clear **market leading** positions.

HOW WE WIN

We relentlessly focus on customer centricity, with specific sets of products and bespoke solutions for each customer, supported by a multi-level, multi-functional relationship.

We continuously improve our operations to provide us with an effective and cost efficient platform to ensure we create value for our customers and our business.

We create great food, delivering industry-leading food safety and technical standards, innovating in recipes and technologies, and investing to understand consumers' tastes and preferences.

We put people at the core of our business, ensuring we attract, develop and retain the best people across our leadership teams and our front line colleagues.

BUSINESS CONTEXT

CONSUMER

- Consumers are looking for more **convenient** solutions to suit their changing lifestyles.
- The frequency of **snacking** has increased as consumers continue to expand from more traditional meal occasions.
- Consumers are choosing **fresh and healthy** foods that are better for them.
- Consumers continue to seek **value for money** and this remains a key factor in buying behaviour.

CUSTOMER

- Customers are investing more in **innovation** to drive growth in increasingly competitive markets.
- An increased **focus on end-to-end costs** is helping customers to protect and enhance margins.
- Customers have increased emphasis on **optimising returns** and are reshaping portfolios and supply chains to do this.

KEY RESOURCES

We employ approximately 16,000 talented, committed and experienced **people** across our UK, US and Irish operations.

We have a well invested **infrastructure** – 17 facilities in the UK, and 14 facilities in the US – that provides a strong platform to manufacture products for our customers.

We always strive to use the highest **technical** standards and processes to develop and maintain product quality for our customers.

Our strong balance sheet and cash generation provides us with **financial** strength to reinvest for organic growth and to augment this growth via selective M&A.

THE GREENCORE WAY

The Greencore Way defines who we are and how we succeed:

STAKEHOLDER OUTCOMES

Delivering industry leading economic performance for **shareholders**.

Ensuring **customers** are provided with excitement, intimacy, growth and trust.

Building effective and transparent relationships with **suppliers**.

Doing the right thing for our industry and **communities**.

Respecting and efficiently using resources in the **environment**.

COMPETITOR

- In the UK, we compete with a number of large private label fresh food businesses, many of which are **privately owned.**
- In the US, we see a **fragmented base** of competitors across the categories we participate in.
- Often the principal competition for our US business is our customers' **in-house capabilities**.

INPUTS

- **Raw material** sourcing is increasingly complex and commodity pricing remains volatile.
- The competition for **labour** is intense and likely to remain so in future.

Chief Executive's Review

Patrick Coveney

Securing profitable growth and returns

This year has been about setting the Group up for profitable growth and returns in a dynamic marketplace.

Patrick Coveney was appointed Group Chief Executive Officer ('CEO') in March 2008, having joined the Group in September 2005 as Chief Financial Officer.

Greencore has undergone a sustained period of strategic, directional and operational change since Patrick took over the role of CEO, most recently in terms of its people agenda, geographic strategy and its increased capabilities.

FY17 has seen a step-change in Greencore's US strategy and organisation which has presented many challenges to overcome. It has been a transitional, transformative and challenging year for the Group in every respect; in terms of Greencore's performance, strategy, commercial relationships, culture, organisational structure and leadership. Now in his tenth year as CEO, Patrick talks about some of these changes, challenges and opportunities.

Q: IN NOVEMBER LAST YEAR, YOU ANNOUNCED THE BOARD'S INTENTION TO ACQUIRE PEACOCK FOODS. YOU ARE NEARLY A YEAR INTO YOUR OWNERSHIP – HOW HAS PEACOCK FOODS INTEGRATED INTO THE GROUP?

Our acquisition of Peacock Foods in December 2016 was both the largest transaction and the most transformational portfolio and organisational change in Greencore's history. Our US business has now increased to more than four times its original size and we are, more than ever, an international convenience food leader. Of course, with the acquisition, we have also welcomed 3,000 new colleagues into our Group.

The onboarding, integration, and development of Peacock Foods is going well. There is 'much to do' but we are excited by what the new business brings in every respect. We are learning a lot too. Having visited our new sites, met with many new colleagues, and engaged extensively with the Peacock Foods' original customers, I am struck by how aligned we are culturally – a strong theme which has been evident since our first interactions with the Peacock Foods leadership team. In terms of culture, people, commercial relationships, strategy and momentum we have a platform now to deliver our US strategy and Group vision.

Q: YOU RECENTLY ANNOUNCED A SET OF ORGANISATIONAL CHANGES IN THE UK? WHAT IS THE REASONING BEHIND THEM AND WHAT BENEFITS WILL THE NEW APPROACH BRING?

While we have driven exceptional results in the UK for much of the past decade, we are very conscious of the challenges we continue to face in the UK – from the market in general and with our customers' business models being under pressure. We must now look to the future, confronting these challenges as we build an even better business for the next decade. A different operating model with stronger capabilities is required to improve Cost Efficiency and to rebuild returns.

To do this, we have put in place a comprehensive structural, organisational and efficiency programme – actually a renewed focus on The Greencore Way, to enable the Group to deliver more effectively against its strategy and win in the future. We will do this by adopting a new approach to operations and major projects, creating a refreshed two divisional UK structure, having greater functional centralisation, injecting new capabilities into the business to support our strategy, standardising our processes, and reducing overheads across the business. We plan to have the following changes in place in early 2018:

- Our UK business will operate under a two divisional structure. Our former Prepared Meals divisions and parts of our former Grocery division will form a new division, called UK Convenience Foods, which will operate alongside Food to Go. This will enable us to serve our customers better and operate more consistently as one UK business.
- We will create a more consistent and efficient approach to the delivery of UK functions: Finance, HR, Technical, Purchasing and IT and create three new central UK capabilities: Operational Excellence, Strategy & Development and Major Projects.
- We will create a new, wider UK senior leadership team, comprising both divisional and functional leaders to embed and operate this new approach.
- We expect these changes to be better for our people as they will provide greater scope to drive performance, more focus on what really matters, leaner and simpler structures, bigger roles, and better ways of working together.

Q: OVERALL, DO YOU THINK THE GREENCORE WAY IS WORKING ACROSS THE WHOLE GROUP? IS IT BEING EMBEDDED EFFECTIVELY THROUGHOUT THE NEWLY ADDED SITES?

We have never sought to create or impose a culture from scratch; our approach is grounded in who we are and what we value. A central feature of The Greencore Way approach is that so many of our colleagues recognise much of their organisation, their team, their way of doing things, and indeed themselves in it. It is who we are!

Onto these strong cultural foundations, we have now layered our new UK organisational model, our integration of the former Peacock Foods' sites, and a 'whole Group' view on processes and implementation. We are excited by the possibilities that this 'one Group view' brings.

Chief Executive's Review
continued

Through all of it, our core Greencore Way principles remain the same:

- People at the Core
- Great Food
- Business Effectiveness
- Cost Efficiency

In the last year, we have delivered the most ambitious strategic, commercial, new capacity, and capability-building programme in our history. The level of change has been extensive and FY17 has not been without its challenges. However, throughout, our people and our Great Food have stood out and have remained at the heart of all that we do; it is our people, our food and our culture that underpins who and what Greencore really is.

The Greencore Way has been a rallying point for our leadership approach and integration delivery in the US. Our approaches to people, culture, food and efficiency are as strong and consistent in the US as they are in the rest of Greencore. We held two extended Board meetings in the US – visiting Chicago, Anaheim and Seattle, where the senior US team engaged strongly with our full Board on all strategic, integration, operating, people, and performance matters – using The Greencore Way as a roadmap. Our US team have visited their colleagues in the UK to see The Greencore Way in action (bringing US customers in several instances). They have been energised by these engagements – taking 'lessons learned' back to their own teams. Importantly, our UK and US operations leadership teams are working together to build a single Group-wide approach to manufacturing and production excellence.

Q: CONSUMER AND CUSTOMER SENTIMENT ACROSS THE WORLD CONTINUES TO BE VOLATILE. WHAT TRENDS HAVE YOU SEEN IN 2017 AND HOW ARE THEY IMPACTING THE BUSINESS?

Across our Group, each of our markets has seen significant political and marketplace changes in the last number of years – this has accelerated in the last 12 months. Despite these shifts, our business has continued to grow strongly in FY17.

We are a customer-centric business – it is through the supply chains, store networks, and brands of our customers that we meet consumers' needs for convenient, high-quality, great tasting food. As consumer preferences and tastes have evolved and fragmented, so too the routes to market and consumer engagement models have changed.

Our customers are responding to consumer changes by driving new formats and ranges in partnership with us and other strategic suppliers. Meeting the needs of 'on the go' consumers remains central to our strategy. In this part of the food market, traditional definitions of channels have blurred. For example, if you leave the office for lunch in Manchester, Leeds, Bristol, or London, or in Chicago, Washington, Boston or Seattle, you don't confine your choice to supermarkets, quick service restaurants ('QSRs') or coffee shops. You consider the full set – all channels, all formats and all brands. You then make your choice based on some combination of location, brand, value, taste and service. Our strategy, customer relationships and business model sets us up well to ensure that we have Great Food available at whatever point of purchase customers demand.

Of course, we recognise the changes in the political and consumer environments of the UK and the US during FY17. Given the scale of our UK business, our management team is actively engaged in understanding, influencing and planning for different Brexit scenarios. More broadly, we take consumer, customer and regulatory risk seriously and have plans in place at all levels to manage these risks.

Q: THE STOCK PRICE HAS BEEN UNDER PRESSURE THIS YEAR. HAS IT IMPACTED ON YOUR CONFIDENCE AND THAT OF THE BOARD IN THE STRATEGY OF GREENCORE?

Clearly, I am not happy with the performance of our stock price this year. While rights issues and large strategic acquisitions can often contribute to stock price volatility, I have been disappointed with the performance since then – I say this both as CEO and as a shareholder! However, all of us – our Board, our leadership teams, me – are committed to building a better and stronger business for the long term.

FY17 has very much been a transitional year. There have of course been challenges during this transition – understandable questions regarding our strategy, the level of investment and restructuring, and a sense of chasing hard for performance in some of the smaller parts of our portfolio. Undoubtedly these challenges will have impacted stakeholder confidence and sentiment towards our stock.

Importantly though, they have not dented our Board's confidence, optimism and excitement for the future. It is crystal clear to me that our business is in better shape today in every respect than it has ever been. We have large scale, fast-growing, well invested convenience foods businesses in both the UK and the US; a set of robust, deeply embedded long-term customer relationships; enhanced capability, management teams and culture; and an economic model that will drive profitability, cashflows and returns going forward. I am confident the full delivery of this agenda should generate value for shareholders in the years ahead.

In closing, I would like to say that I am immensely proud of our Greencore colleagues and it is a pleasure to work with them during this challenging but exciting time in our evolution. In addition, I wanted to specifically thank my Board and the other senior leaders for the counsel, insight, skill and commitment that they bring to our Group. I also want to thank our customers and shareholders for their continued support as we strive to make our business better.

It is a privilege to lead this organisation – and fun too! We are committed to making Greencore better in every respect. I look forward to helping Greencore deliver industry-leading performance over the coming years.

PATRICK COVENEY
Chief Executive Officer
27 November 2017

Strategy*

1. Build on our platform in the US to drive strong growth and returns

The acquisition of Peacock Foods during the year transformed our market and channel position in the US and has given us a growth platform of real scale. The enlarged business has an enhanced, well invested network, with the potential to support our ambitions to grow in value added, assembly-led, convenience food manufacturing with existing and new customers across the US.

Our addressable market is large and is supported by strong underlying growth trends. The US branded Consumer Packaged Goods ('CPG') channel accounts for a large proportion of US retail food sales and we are well placed with the largest players. The trend towards outsourced manufacture is driven by a need to improve return on capital, while dealing with a more complex set of consumer preferences and channels. In addition, the market for away from home consumption is large and growing as rising labour costs and increased concerns about food safety continue to increase the relevance of added value supply partners to CPG and foodservice brands.

IN ACTION FY17

Peacock Foods was acquired in December 2016 and the integration and synergy delivery is on track. Key investments in the period were the significant expansion in our Carol Stream, Illinois facility to cater for a new contract win in meal kits, and further expansion in our Romeoville, Illinois facility.

We have a strong commercial pipeline for our new enlarged network that allows us to exploit growth opportunities with both existing and new customers.

Convenience Foods US division reported FY17 revenue growth of 295.0% to £0.9bn, an increase of 5.9% on a pro forma basis. Pro forma volume growth, a more meaningful indicator of underlying performance, rose by approximately 7% and was driven by good category growth and business wins. Adjusted Operating Profit increased by £35.4m to £33.3m, representing a margin of 3.8% (+470bps on FY16).

PRIORITIES FY18

We will complete the integration of Peacock Foods and will deliver the planned synergies associated with this.

We will continue to leverage our fresh, frozen and ambient capabilities to expand and extend our pipeline of commercial opportunities with existing and new customers, particularly in the CPG channel – while maintaining our reputation for excellent food safety and innovation.

These opportunities, coupled with an improving customer mix, will help the US division to leverage its enlarged network footprint and wider capabilities to drive profitable growth and enhanced returns.

Several metrics demonstrate our progress in achieving our strategic objective, including those illustrated. These in turn support the delivery of the Group's set of Key Performance Indicators ('KPIs'), found on pages 20 to 23, that measure the performances of its operations and of the Group as a whole.

Divisional Pro Forma Volume Growth (%)

Estimated addressable market for outsourcing ($bn)

Source: Greencore commissioned research.

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Strategy continued

2. Enhance our leadership position in UK convenience food, especially in food to go

Our performance in the UK is underpinned by our leadership of the fast-growing food to go category. Growth in the food to go category of 6.6% comfortably exceeded the 2.9% growth in the overall food market. The category continues to benefit from supportive underlying consumer trends and further growth in the space dedicated to food to go in supermarket and specialist channels. The Group has built strong long-term partnerships with our customers who are also looking to this category for growth.

This is complemented by market-leading positions in convenience food categories including ready meals and cooking sauces. In recent years these businesses have benefitted from an increasing preference for private label products, which have outpaced brands in their categories.

IN ACTION FY17

We strengthened our leadership position and increased market share in the food to go category with several significant business wins, commercial launches delivered to plan plus contracts extended with core customers.

Capacity is in place for medium-term growth in Food to Go, having substantially completed a phase of network investment with key customers and having added further capacity through the acquisition of the Heathrow facility and the integration of the Atherstone facility.

We also invested in the UK ready meals network to position for future growth, and continued to rationalise our UK portfolio with the exit from the desserts manufacturing business in Evercreech.

Convenience Foods UK & Ireland division reported FY17 revenue growth of 14.3% to £1.4bn, an increase of 11.9% on a pro forma basis. This was primarily driven by our Food to Go business which accounted for approximately 60% of divisional revenue in the period. Adjusted Operating Profit increased by 2.6% to £106.8m, representing a margin of 7.4% (-90bps on FY16).

PRIORITIES FY18

As the operational disruption from network and commercial investment eases, we will leverage the invested overhead to improve cost effectiveness and position ourselves for future volume growth.

We will use our investment in consumer insight and additional capacity to grow the category in partnership with our customers. We will work with our customers to maximise product returns through collaborating on initiatives including sourcing, ordering, merchandising, and waste management. We have moved to multi-year supply arrangements with our major customers to support this investment for the long term.

Following investment in our ready meals category in FY17 (due to complete in FY18), the priority is now to strengthen our strong positions with our key customers in that category.

We will streamline and strengthen our UK divisional and cost structures. This will involve the implementation of a more compact divisional structure, overhead reduction, upgraded operational capability, greater functional centralisation and standardisation.

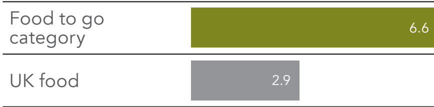
Several metrics demonstrate our progress in achieving our strategic objective, including those illustrated. These in turn support the delivery of the Group's set of KPIs found on pages 20 to 23, that measure the performances of its operations and of the Group as a whole.

Pro Forma Revenue Growth in Food to Go (%)

FY17	18.8

Divisional Adjusted Operating Profit (£m)

Food to go category and UK food (%)



Source: Nielsen data for the 52 weeks to 9 September 2017.

3. Develop enduring customer partnerships

Strong relationships with our customers has been a critical element of Greencore's success for many years. We have a broad retail customer base in the UK, with significant sales to each of the largest supermarket customers and good coverage of the convenience and discounter channels. In the US, we serve many of the largest CPG food companies along with leaders in convenience and foodservice.

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

IN ACTION FY17

This was a particularly successful year for the further development of the Group's long-term partnership model with key customers in Food to Go. Several significant business wins and commercial launches were delivered to plan. The business also extended a number of contracts with its core customers in the year and now has multi-year sole supply contracts in place with all of its top customers.

The launch of a business win in meal kits in Carol Stream was a great example of the customer partnership model in the US, a true joint business plan driving all aspects including execution and capital.

We innovate at all levels within the business. During FY17, 46% of our products in the UK and the US were new to market, as we worked with customers on product or packaging development initiatives.

PRIORITIES FY18

We will develop strategic relationships with our customers to achieve the best outcome for them, their consumers and Greencore. Through these relationships, we will move beyond food manufacturing to provide distribution, innovation, new product development and category management solutions.

We will continue to advance our US commercial pipeline and deepen our customer relationships, including our recently extended strategic partnership with one of our largest customers.

Several metrics demonstrate our progress in achieving our strategic objective, including those illustrated. These in turn support the delivery of the Group's set of KPIs found on pages 20 to 23, that measure the performances of its operations and of the Group as a whole.

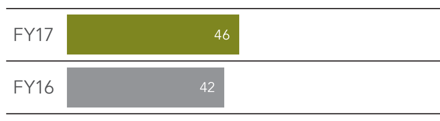
% of Food to Go revenue in multi year contracts

% of top 25 CPG companies in the US where we have business

48%

Source: Greencore commissioned research.

Innovation rate (%)



Strategy continued

4. Invest in people, infrastructure and capability

With approximately 16,000 staff employed in over 30 facilities in the UK, US and Ireland, Greencore is a people-intensive business and we believe that we ultimately differentiate ourselves through our people. We provide an integrated approach to staff and leadership development that we believe is critical to our continued success.

World-class delivery of food safety and technical excellence through the supply chain is a further distinguishing capability for us, requiring ongoing investment and attention.

We have invested in additional capacity where required to support organic growth and we believe these investments will enhance our long-term returns profile.

IN ACTION FY17

During the year we successfully expanded our workforce to support significant growth and invested in our performance management system to share best practice and provide a consistent approach to divisional and functional deployment.

We also welcomed Peacock Foods' colleagues to the Greencore Group and through this integration, began to share and learn from alternative ways of working, in line with our principle of Business Effectiveness.

In Food to Go, we invested in capacity for the medium term by completing a phase of network investment with key customers, integrating the Atherstone facility, and acquiring a sandwich manufacturing facility near Heathrow. We also invested in our UK ready meals network. In the US, we expanded our Carol Stream and Romeoville facilities to deliver business wins with existing and new CPG customers.

The scope of network and commercial investment across the division in FY17 leaves us well positioned for growth in the short to medium term.

PRIORITIES FY18

We will streamline and strengthen our UK organisational and cost structure. This programme involves a more compact divisional structure, upgraded operational capability, and greater functional centralisation and standardisation of processes across the business.

In the US, the integration programme and investment in people and organisational strengthening will continue.

We will continue to enhance our engagement and retention strategy and maintain pay structures and employment conditions to ensure labour availability. Learning and development opportunities will be provided at all levels of the Group, in line with our principle of People at the Core. We will ensure that our food safety and technical standards are maintained at the highest level.

We will continue to generate value through careful investment in infrastructure and capacity that supports growth opportunities and enhances returns. We will focus on specific investments in technology that will deliver operational benefits.

Several metrics demonstrate our progress in achieving our strategic objective, including those illustrated. These in turn support the delivery of the Group's set of KPIs found on pages 20 to 23, that measure the performances of its operations and of the Group as a whole.

Employee engagement scores (%)

Strategic Capital Expenditure (£m)

STRATEGIC OBJECTIVE

5. Maintain a strong financial and economic model

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

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

IN ACTION FY17

Our focus in FY17 has been on reducing the trajectory of capital spend throughout the year. A number of initiatives were executed in this regard, including the decision to exit our chilled desserts facility in Evercreech, our decision not to proceed with the remainder of the planned rollout of an Enterprise Resource Planning ('ERP') system across the UK business and our facility acquisition near Heathrow to enable capacity in food to go in a capital efficient manner.

In addition, we continue to expand capacity in the US through a co-investment model with our customers.

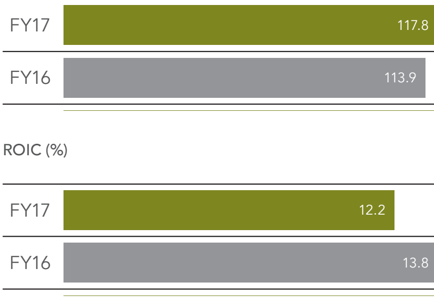
We strengthened our capital structure in FY17. In December 2016, the Group raised £427.0m by way of a rights issue. The net proceeds of the rights issue, combined with a new five year $249m bank facility, were used to finance the acquisition of Peacock Foods. The Group also extended the maturity of its bank facilities and remains well financed with committed facilities of £720m that have a weighted average maturity of 4.4 years. Net Debt: EBITDA leverage as measured under financing agreements was 2.4x.

PRIORITIES FY18

Increased cash flow will be generated from the combination of an enlarged profits base, tightly managed working capital, normalising capital expenditure levels and management of other operating cashflows.

Sustaining an effective capital structure will remain a key priority. This will be shaped by our leverage benchmark of approximately 2x Net Debt: EBITDA, a dividend payout ratio of 30–40% of adjusted annual earnings, and a disciplined M&A and portfolio strategy.

Several metrics demonstrate our progress in achieving our strategic objective, including those illustrated. These in turn support the delivery of the Group's set of KPIs found on pages 20 to 23, that measure the performances of its operations and of the Group as a whole.



snacking

The frequency of snacking has increased as consumers continue to expand from more traditional meal occasions.

Healthy lunch box.

388m

lunch kits

Financial Key Performance Indicators

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

The Group has identified these KPIs to measure progress of our strategic imperatives in delivering profitability, returns and cashflow generation. Although the measures are separate, the relationship between them is also monitored. Certain of these KPIs are non-IFRS measures or Alternative Performance Measures ('APMs'). The definitions and reconciliations of all APMs to IFRS are set out within the APMs section on pages 176 to 179.

1. PROFITABILITY

PRO FORMA REVENUE GROWTH

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

Pro Forma Revenue Growth for FY17 adjusts reported revenue to reflect ownership of both Peacock Foods and The Sandwich Factory for the full period of both FY16 and FY17 and excludes the impact of the Heathrow acquisition. These figures are also presented on a constant currency basis and exclude the impact of the 53rd week in FY16.

FY17 Pro Forma Revenue Growth: +9.4%

Pro forma revenue increased by 9.4% in FY17 driven by underlying category growth, and the contribution from substantial new business wins particularly in our Food to Go business in the UK.

In the US, the Peacock Foods business operates the majority of its revenue contracts on a pass through basis and as such is entitled to pass on the price of materials directly to the customer as part of its finished goods. Accordingly, while revenue and costs of sales can be impacted by changes in material inflation or deflation, these changes do not impact profit delivery, therefore volume growth is a more important indicator of performance. Pro Forma Volume Growth for Convenience Foods US was approximately 7% in the year.

ADJUSTED OPERATING PROFIT

The Group uses Adjusted Operating Profit to measure the underlying and ongoing operating performance of each business unit and of the Group as a whole.

Adjusted Operating Profit excludes exceptional items which are deemed one time in nature, the impact of the amortisation of acquisition-related intangible assets, net financing costs and the impact of taxation.

Adjusted Operating Profit (£m)

Adjusted Operating Profit was £140.1m, compared to £102.0m in FY16, an increase of £38.1m largely due to the impact of the Peacock Foods acquisition.

ADJUSTED EARNINGS PER SHARE ('EPS')

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 calculates Adjusted EPS by dividing Adjusted Earnings by the weighted average number of Ordinary Shares in issue during the year, excluding Ordinary Shares purchased and held in trust in respect of the Annual Bonus Plan, the Performance Share Plan and the Executive Share Option Scheme. Adjusted Earnings is after excluding exceptional items which are deemed one time in nature. It also excludes pension finance items (net of tax), the amortisation of acquisition-related intangibles (net of tax), foreign exchange on inter-company and external balances where hedge accounting is not applied and the movement on fair value of derivative financial instruments and related debt adjustments.

Adjusted EPS (p)

Adjusted EPS were 15.4 pence compared to 16.0 pence in FY16, a decrease of 3.8%. The decrease reflects the increase in Adjusted Operating Profit offset by a higher tax rate, a higher interest charge and an increased number of Ordinary Shares in issue as a result of the rights issue which completed in December 2016.

2. RETURNS

RETURN ON INVESTED CAPITAL ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit, along with the measurement of potential new investments. The Group uses invested capital as the basis for this calculation as it reflects tangible and intangible assets the Group has added through its capital investment programme, the intangible assets the Group has added through acquisition, as well as the working capital requirements of the business.

The Group calculates ROIC as net Adjusted Operating Profit after tax ('NOPAT') divided by average invested capital. NOPAT is calculated as Adjusted Operating Profit plus share of profit of associates before tax, less tax at the effective rate in the Income Statement. Invested capital is calculated as net assets (total assets less total liabilities) excluding Net Debt and the balance sheet value of derivatives not designated as fair value hedges. It also excludes retirement benefit obligations (net of deferred tax assets). Average invested capital is calculated by adding together the invested capital from the opening and closing balance sheet and dividing by two.

ROIC (%)

The Group's ROIC in FY17 was 12.2% compared to 13.8% in FY16. FY17 ROIC was impacted by an increase in the effective tax rate, the acquisition of Peacock Foods in the US and significant strategic capital expenditure in the UK to enable future growth.

3. CASH FLOW

OPERATING CASH FLOW

The Group uses Operating Cash Flow as a key metric to measure the amount of cash generated by the operating activities of each business unit and of the Group as a whole.

The Group calculates Operating Cash Flow as Adjusted Operating Profit plus depreciation, IT related amortisation, share-based payment expense, dividends received from associates, movement in working capital, Maintenance Capital Expenditure, cash outflow related to exceptional items and other movements within operating activities.

Operating Cash Flow (£m)

Operating Cash Flow was £117.8m compared to £113.9m in FY16, an increase of £3.9m reflecting increased EBITDA partly offset by exceptional cash outflows and increased Maintenance Capital Expenditure in the period, along with a slight working capital outflow compared to an inflow in FY16.

Non-financial Key Performance Indicators

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

Monitoring these areas is relevant to our strategy and important to our long-term success. The Greencore Way model shows how we achieve success in a number of these areas. Some of these non-financial KPIs are being developed to be Group-wide, taking into account the acquisition of Peacock Foods.

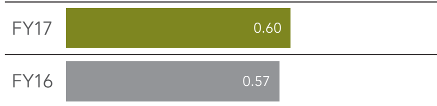
1. PEOPLE AT THE CORE

The Group is a highly people-intensive business, which is why people are at the core of The Greencore Way. Greencore constantly strives to build stronger capabilities through its people. Our people's health and safety, development needs and recognition of their contributions are key priorities.

HEALTH AND SAFETY

'Keeping People Healthy and Safe' is a top priority in the People at the Core principle. The Group maintains the highest safety standards and uses an accident incidence rate as the key benchmark. The rate has been impacted by the addition of Peacock Foods. However, the Group has made underlying continuous improvement. For the year under review, the rate increased to 0.60 from 0.57, reflecting the expanded business.

Group accident rate per 100 employees



ENGAGEMENT SCORES

The Group carries out an annual survey for its employees which measures, amongst other things, employee engagement. The employee engagement score has seen a year on year increase, and increased by 2% in FY17.

Employee engagement scores (%)

THE GREENCORE WAY AWARDS

We continually recognise the exceptional work undertaken by our colleagues and in FY17, over 1,000 colleagues were presented with a Greencore Way Award.

LEARNING AND DEVELOPMENT

Greencore drives its people through training and continuous learning development programmes. In FY16 we launched the Leadership Development Programme in which 130 senior management took part. Approximately 100 people will study under the Greencore Qualifications which was launched in FY17.

More information on pages 31 to 33.

2. GREAT FOOD

The Group's success is based on the ability to be dynamic and innovative when it comes to product and recipe development, as well as following best practice in food safety and integrity standards.

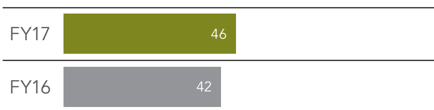
FOOD SAFETY ACCREDITATION

Our commitment to ensuring only the highest food safety and integrity standards is demonstrated through our supplier approval and audit process. The Group maintains industry leading food safety and traceability processes and procedures. All sites in the UK and US are subject to independent third party audits under the Global Food Safety Initiative Standard. In the UK all sites are registered under the British Retail Consortium ('BRC') Unannounced Scheme, whilst in the US sites are audited against BRC or Safe Quality Foods level 3.

PRODUCT DEVELOPMENT

The Group's innovation rate in FY17 was 46% which means that, of our 3,946 products, 1,802 of them had undergone some form of product or packaging development during the course of the year. This is an increase of 4% from FY16.

Innovation rate (%)



More information on pages 37 and 38.

3. ENVIRONMENT

How the Group interacts with the environment is crucial to our ability to operate successfully. Waste management, energy efficiency and carbon disclosure are significant elements of Greencore's interaction with the environment and the Group utilises a series of initiatives to measure this.

WASTE TO LANDFILL

In line with the Group's lean programmes the Group focuses on eliminating and minimising waste and working towards sustainable maintaining recovery and recycling rates.

In FY17, our UK manufacturing sites have maintained a 0% disposal rate with all solid waste being reused, recycled or recovered.

UK waste disposal (%)

FY17	0% disposal of solid waste
FY16	0% disposal of solid waste

CARBON INTENSITY

The Group measures our annual carbon intensity ratio using the Department for Environment, Food and Rural Affairs reporting guidelines. Despite the Group's increase in scale and capacity, our carbon intensity has decreased year on year since FY14.

Group carbon intensity ratio ($KgCO_2e$ per £1 of sales revenue)

FY17	0.073
FY16	0.095

More information on pages 35 and 36.

Taco meal kit.

Risks and Risk Management

As a leading food manufacturer in a highly competitive environment, it is critical that Greencore identifies, assesses and prioritises its risks. This, along with the development of appropriate mitigating actions, enables us to monitor, minimise and control the probability and impact of these risks.

OUR APPROACH TO RISK MANAGEMENT

Risk management is the responsibility of the Board and is integral to the ability of the Group to deliver on its strategic objectives. The Board recognises the need for a robust system of internal control and risk management in accordance with the UK Corporate Governance Code. There is a clear link between risk and risk management and the Company's ability to continue as a viable entity. This is set out in further detail on pages 61 and 62.

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

Under delegation from the Board, the Audit Committee regularly monitors the Group's risk management systems. The Audit Committee is responsible for overseeing the effectiveness of the internal control environment of the Group. Details of the activities of the Audit Committee for the year under review can be found in the Report of the Audit Committee set out on pages 94 to 100.

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

The Board has considered its obligations in relation to providing an annual Going Concern Statement and Viability Statement. Its review and conclusions in this regard are set out on page 61 of the Directors' Report.

IDENTIFYING AND MONITORING PRINCIPAL RISKS

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

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

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

The Group's principal risks and uncertainties during FY17 are summarised in the risk profile table as set out in pages 26 to 29.

Given the scale of our UK business, Brexit continues to be an area of focus requiring continual monitoring. Although the nature of the changes to come is currently unclear, it has already created uncertainty in the financial markets, including a significant fall in the value of sterling. The overall short to medium-term effects for the Group are additional risks to margins caused by higher costs in the supply chain and uncertainty regarding the availability and cost of labour. Consideration for these risks have been incorporated into the Group's principal risks as appropriate.

RISK APPETITE

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

RISK ASSURANCE

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

1st
LINE OF DEFENCE

SOURCE
Operational management/business operations

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

2nd
LINE OF DEFENCE

SOURCE
Group corporate governance oversight

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

3rd
LINE OF DEFENCE

SOURCE
Third party and independent review

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

Greek yogurt and strawberry parfait.

Risks and Risk Management
continued

RISK TREND

Risk increased

Risk unchanged

Risk decreased

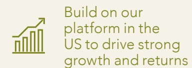
STRATEGIC

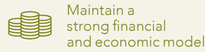
Risk area	Description of risk	Control	Movement
Competitor Activity	The Group operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition by competitors could adversely affect the Group's results.	The Group develops long-term relationships with its customers that are based on several factors including quality, service, innovation and costs effectiveness. The Group continually works to streamline its cost base to ensure it remains competitive. The Group also invests in research and development and continuous improvement to ensure that the introduction of both new products and improved production processes places the Group at the forefront of customer needs in its chosen markets.	**The risk has stayed the same.**
Growth and Change	The Group is pursuing a strategy of growth and expansion. In the US, it has made the significant acquisition of Peacock Foods, positioning it for further growth with a broad set of customers. In the UK, the Group has recently won significant customer contracts. Delivering this strategy will necessitate organisational change and investment, major capital investments and potential further corporate development opportunities. The level of growth and consequent organisational change is particularly high in the US, given the integration of Peacock Foods. Major capital investments and corporate development opportunities are often high cost, may involve significant change and may result in the addition of material numbers of new employees.	The Board and senior management engage in a robust, formal and thorough process for identifying, measuring and deciding on the suitability of such growth and change initiatives. In the case of acquisitions, an integration team reporting to senior Group management and the Board is established to ensure a successful integration. Resources are put in place as deemed necessary to manage business change. Post project reviews are carried out on all major capital investment projects to monitor the effectiveness of execution. In the case of Peacock Foods, significant resources have been allocated to ensure an effective integration.	**The gross risk has increased, principally due to the Peacock Foods acquisition and other major projects.**

COMMERCIAL

Risk area	Description of risk	Control	Movement
Changes in Consumer Behaviour and Demand	In common with other food industry manufacturers, unforeseen changes in food consumption patterns or in weather patterns may impact the Group. In addition, demand for a number of the Group's products can be adversely affected by fluctuations in the economy.	The Group works closely with its customers to adapt to changing consumer trends and invests in market research, innovation and new product development to ensure regulatory, customer and consumer requirements are addressed. In the US, it works with brands that are leaders in the categories in which they operate.	**The risk has stayed the same.**
Key Customer Relationships and Grocery Industry Structure	The Group benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, or an impact to the relevant brand reputation, or a significant worsening in commercial terms, could result in a material impact on the Group's results. In addition, changes to the grocery industry structure in either the UK or the US may also adversely affect performance. For example, the grocery market in the UK is undergoing significant change with the growth of limited assortment discounters, small stores and online sales. In the US, the large consumer packaged goods industry is going through significant consolidation and ownership change.	The Group invests significant resources to maintain deep, multi-level relationships which drive value and minimise risk for both itself and its key customers. The Group also continues to focus on a broad range of customers across all formats in both the UK and the US.	**The gross risk has increased principally due to the Peacock Foods acquisition.**

STRATEGIC OBJECTIVES





Risk area	Description of risk	Control	Movement

COMMERCIAL CONTINUED

Raw Material and Input Cost Inflation

Description of risk

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 combined Group may also be impacted by the loss of a key supplier. The Group relies on a concentrated number of key suppliers. A loss of, or interruption of supply from a key supplier could cause short-term disruption to the operational ability of the Group and adversely affect its results.

Control

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. In the US, the Group operates most of its contracts on a pass-through basis, which also reduces the exposure to these fluctuations. In the UK, 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 3% cost inflation in FY17 in the UK through this combined approach.

Movement

The gross risk has increased, due to currency volatility and the continuing uncertainty associated with Brexit.

OPERATIONAL

Food Industry Regulations

Description of risk

As a producer of convenience foods and ingredients, Greencore is subject to rigorous and constantly evolving regulations and legislation, particularly in the areas of food safety and environmental protection. Failure to comply with such regulations may lead to serious financial, reputational or legal risk.

Control

The Group maintains strong technical functions in both the UK and the US, 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.

Movement

The risk has stayed the same.

Product Contamination

Description of risk

The Group produces a large volume of food annually and there are risks of product contamination through either accidental or deliberate means. This may lead to products being recalled as well as being a significant draw on resources and could therefore result in both a financial and/or reputational impact on the Group.

Control

The Group maintains industry leading food safety and traceability processes and procedures. Each facility in the UK and the US has a team dedicated to ensuring compliance with Group and industry standards in this area and the Group constantly monitors performance against a detailed set of metrics and measures. They are subject to a significant number of audits by internal teams, customers and independent bodies auditing against recognised global food safety standards. The Group also operates stringent controls across its supply chain, including audits and strict approval of its suppliers, supported by rigorous ethical and quality checking of all ingredients. In FY17, 73,732 internal audits and 655 external audits were carried out at our facilities and 189 audits were carried out on Group suppliers.

Movement

The risk has stayed the same.

Risks and Risk Management
continued

RISK TREND

Risk increased

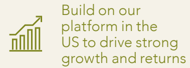
Risk unchanged

Risk decreased

OPERATIONAL CONTINUED

Risk area	Description of risk	Control	Movement
Health and Safety	In addition to the obvious human cost, a serious workplace injury or fatality could inevitably carry serious financial, reputational and 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 shop floor.	**The risk has stayed the same.**
Disruption to Day to Day Group Operations	The Group is at risk of disruption to its day to day operations from poor operational management, the breakdown of individual facilities or the loss of a significant manufacturing plant.	The Group maintains operational processes and procedures to ensure effective operational management at each facility. The Group invests in high calibre on-site teams, with responsibility across engineering and maintenance, supply chain, planning and operational excellence. The Group also maintains robust security and comprehensive operational disaster recovery plans. In addition, the Group undertakes regular reviews of all sites with external insurance and risk management experts, with these reviews being aimed at improving the Group's risk profile.	**The risk has stayed the same.**
Recruitment and Retention of Key Personnel	The business is currently experiencing strong growth and undergoing significant change, including the integration of colleagues through the Peacock Foods acquisition and the reorganisation in the UK. The ongoing success of the Group is dependent on attracting and retaining high quality senior management who can effectively implement the Group's strategy.	The Group mitigates the risk through robust succession planning and strong recruitment processes, offering competitive and attractive remuneration and benefits packages. In addition, the Group has also established the senior executive leadership team, which supports succession planning at the senior management level.	**The risk has stayed the same.**
Labour Availability and Cost	Due to political and economic pressures and changes, there may be a risk that labour cost and availability may be affected and this would have a detrimental impact on the Group. The Group needs to also ensure it is compliant with any ethical legislation, such as the 'Working Time Directive' and 'Eligibility to Work' in the UK and the relevant legislation in the US. Failure to comply could result in heavy fines and reputational damage.	The Group is continually reviewing and improving its recruitment processes to reflect changing market conditions, including rigorous compliance checks. The Group also has a strong commitment to excellent working conditions, on-the-job training and specific programmes to enhance communication and colleague engagement. The Group also maintains a strong commercial focus on process and cost improvement to manage and mitigate the increased cost of labour.	**The gross risk has increased, due to continuing uncertainty associated with Brexit.**

STRATEGIC OBJECTIVES


Build on our platform in the US to drive strong growth and returns

Enhance our leadership position in UK convenience food, especially in food to go

Develop enduring customer partnerships

Invest in people, infrastructure and capability

Maintain a strong financial and economic model

Risk area	Description of risk	Control	Movement
OPERATIONAL CONTINUED			
IT Systems and Cyber Risk	The Group relies heavily on information technology and continuous investment in systems to support our business. An extended failure of our core systems, caused by accidental or malicious actions, including those resulting from a cyber-security attack, could result in a significant impact on the business. In common with most large global companies, the Group is susceptible to cyber-attacks with the threat to the confidentiality, integrity and availability of such systems. Whilst no material losses related to cyber security breaches have been suffered, given the increasing sophistication and evolving nature of this threat, we cannot rule out the possibility of them occurring in the future.	Greencore maintains a program of controls and processes, including disaster recovery to protect the confidentiality, integrity and availability of information across the Group. Recent Group business wins have highlighted that the Group will increasingly be required by its clients to show compliance with accepted Information Security Standards and the Group plans to review the full set of control documents against the requirements of ISO27001. In addition, the Group has cyber insurance to transfer part of the risk of any deliberate attack over to our insurer.	**The gross risk has increased, principally due to heightened cyber threat levels globally.**
FINANCIAL AND OTHER			
Interest Rates, Foreign Exchange Rates, Liquidity and Credit	In the multi-currency and multi-national trading environment in which the Group operates, there are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. In addition, in the current economic climate, the Group's credit rating and its related ability to obtain funding for future development and expansion are specific risks.	These risks are actively managed by the Group's treasury team, which operates within the framework of strict Board approved policies and procedures which are explained further in Note 21 to the Group Financial Statements. During the course of the year, the Group entered into a new bank facility, to part finance the acquisition of Peacock Foods and extended the maturity of some of its primary committed bank facilities. The Group remains well financed with committed facilities of £720m at year end and a weighted average maturity of 4.4 years.	**The level of foreign exchange risk has increased principally due to global uncertainty associated with Brexit.**
Employee Retirement Obligations	The Group's legacy defined benefit pension funds are exposed to the risk of changes in interest rates and the market values of investments, as well as inflation and the increasing longevity of scheme members. The recent volatility in worldwide equity markets and decline in bond yields has highlighted the risk of employee retirement valuations.	These risks are mitigated by paying appropriate contributions into the funds and through balanced investment strategies which are designed to avoid a material worsening of the current surplus or deficit in each fund. The Group has closed all legacy defined benefit pension schemes to future accrual. Where relevant, the Group also uses specific arrangements with schemes to improve the security of scheme benefits, while reducing contributions.	**The risk has stayed the same.**
Taxation	In an increasingly complex, international tax environment, such matters as changes in tax laws, changing legal interpretations, tax audits and transfer pricing judgements may impact the Group's tax liability or reporting requirements. Failure to accumulate and consider relevant tax information may result in non-compliance with tax regulations or adverse tax consequences.	The Group employs internal tax experts in both the US and the UK, who support the Group in ensuring compliance with all taxation matters globally. The Group also engages external taxation advisors for research, use of economic statistical studies and guidance on matters of compliance where appropriate.	**The gross risk has increased, principally due to the overall global tax environment.**

Corporate Social Responsibility Report 2017

Our vision is to be a fast-growing, international convenience food leader.

THE GREENCORE WAY

The Greencore Way describes both who we are and how we succeed. It is a simple model that brings together all the key elements of how we operate at Greencore. It is based on four core principles that are central to our vision. Our recent People at the Core survey of employees showed that 87% of respondents understand The Greencore Way and what it means to their roles. The Greencore Way is currently being rolled out in our new expanded US business. We plan to report more on this in FY18.

OUR PRINCIPLES

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

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

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

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

OUR STAKEHOLDERS

Shareholders
Delivering industry leading economic performance

Customers
Delivering excitement, intimacy, growth and trust

Suppliers
Building effective and transparent supply chains

Communities
Doing the right thing for our industry and our communities

Environment
Efficiently using and respecting all resources

PEOPLE AT THE CORE

KEEP PEOPLE HEALTHY AND SAFE

The Greencore Way has 'Keeping People Healthy and Safe' as the very first priority in its first principle of People at the Core. Across our business in the US, UK and Ireland the health and safety of our employees is a top priority.

We continue to monitor our performance. The Accident Incidence Rate ('AIR') for the UK year on year has been reduced once again, from 0.61 to 0.57 accidents per 100 employees. In the US, the rate has gone from 0.3 to 0.63, representing an increase as we brought on a new acquisition. This gives a combined rate of 0.60, an increase on last year reflecting this change.

Group accident rate per 100 employees

FY17	0.60
FY16	0.57

In the UK, we have introduced three lines of defence to our health and safety governance. Each site will conduct its own internal reviews and is subject to an annual unannounced audit by the Group health and safety team. The third line of defence centres on an independent third party assessment. In the US, annual internal audits are conducted with a plan to introduce a second internal compliance audit in 2018.

These audits aim to use the findings to constructively challenge performance, assure compliance and foster continuous improvement.

There are now 10 sites across the Group that are independently accredited to OHSAS 18001 – the occupational health and safety best practice standard.

In the UK, we have achieved a high level of recognition via our relationship with the Royal Society for the Prevention of Accidents ('RoSPA'), achieving the Gold Award for the second year running at Wisbech, Silver for the second year at Park Royal and the prestigious President's Award at Northampton.

DIVERSITY

Greencore embraces all forms of diversity, including gender, culture and age, and is committed to fostering inclusion across the Group.

RATIO OF MEN AND WOMEN

We work towards maintaining a diverse workforce and culture that values and respects all forms of diversity. This includes recruiting, developing and retaining women across the Group.

In FY17, 41% of all employees were female. Females make up 53% of our workforce in Ireland, 45% in the US and 40% in the UK. At Board level, 20% of our Directors were female. Female representation on our subsidiary company boards was 18%, while at senior management level, 42% were female.

Total Employee Gender Breakdown

Country	Ireland	UK	US
No. of employees	45	12,718	3,032
Male	21	7,610	1,653
Female	24	5,108	1,379

Colleagues from across our UK and US operations.

Corporate Social Responsibility Report 2017
continued

PEOPLE AT THE CORE CONTINUED

We continue to work with the Food and Drink Manufacture Forum (a partnership between Trade Associations, Trade Unions and the Health & Safety Executive), participating as the Chilled Food Association's ('CFA') representative. This enables us to play an active part in shaping the strategy to improve health and safety in the food manufacturing sector in the UK.

We also continue our active membership of the Food and Drink Manufacturing Committee of the Institute of Occupational Health and Safety, developing and delivering best practice sharing events in the UK. As an example of this, our Northampton site hosted the Food and Drink Culture Change workshop and presented their strategy for promoting a positive health and safety culture in the workplace.

In the US we are involved in various forums such as EHS Today in addition to supporting local safety councils. Since the acquisition of Peacock Foods, we have upgraded the health and safety system across our new and existing sites. This new electronic system is more robust and has the ability to give us real time information regarding the status of our sites. We will be able to better track, analyse, and eliminate employee injuries and areas of concern. The system has recently been rolled out in the US and feedback from sites has been extremely positive.

Overall, as we have seen an increase in number of plants as well as significant increases in capacity, we have taken steps to enhance the health and safety team by reorganising the structure and additional personnel.

GREENCORE ETHICAL CODE

Greencore is committed to ensuring a high standard of ethical and environmental practices and we believe that we have a responsibility to adhere to the highest standards of behaviour and care. We recognise that our business activities have the potential to impact our key stakeholders and therefore they have the right to expect high standards in what we do. Our Ethical Code and Employment Standard is available on our website. This is informed by the International Labour Organisation ('ILO') Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

Colleagues at our Seattle facility.

Compliance with UK regulations on eligibility to work and with the Ethical Trading Initiative ('ETI') base code on working hours is audited by the Risk Management Group. In order to meet fluctuations in demand, we use agency labour providers at our UK manufacturing sites. Branches of the agency providers are audited on a regular basis by our technical team and human resource teams to ensure that they are also compliant with eligibility to work and ETI requirements.

Greencore is a member of the Supplier Ethical Data Exchange ('SEDEX') and our UK business requires all new raw material suppliers to register with SEDEX. We have progressively encouraged all existing suppliers to become SEDEX members, targeting direct raw material and selected non-resale suppliers, with 90% of the top 500 now SEDEX registered.

We recently joined the Food Network for Ethical Trade ('FNET'), an industry-wide initiative which Greencore helped to pilot in 2016. FNET's mission is to improve human rights in global food supply chains through a common approach to managing ethical trade.

Certain entities in the UK are subject to the provisions of the Modern Slavery Act, which commenced in October 2015. All staff employed by Greencore, whether permanent, contract or temporary, should expect to be treated in line with the employment standards set out in our ethical code. In recognition of the nature and level of concern about modern slavery, we have a number of activities in place related to preventing or tackling this and wider human rights issues. Copies of the Slavery and Human Trafficking Transparency Statements for FY16 and FY17 are available at www.greencore.com.

Greencore is a supporter of the Stronger Together campaign, a UK multi-stakeholder initiative that aims to prevent forced labour. The majority of our UK sites are Stronger Together Business partners. We have adopted the campaign's supply chain guidance in our approach to responsible sourcing.

Greencore provides an anonymous, free and confidential helpline for employees who wish to raise concerns about employment standards, ethics or issues of a personal nature.

PEOPLE DEVELOPMENT

Greencore Qualifications: We launched Greencore Qualifications in July 2017. Greencore Qualifications are specific learning modules (funded by the Apprenticeship Levy) in the UK that support our people to grow their capabilities in management development, food technical, project management and supply chain. About 100 people commenced Greencore Qualifications in September. We have partnered with subject matter experts including Nottingham Trent University.

Leadership Development Programme: During FY17, around 130 of our most senior leaders completed a leadership development programme. This was part of our approach to building our competency in High Definition Leadership.

Technical training: The central technical department coordinates a comprehensive training programme to develop skills across UK site teams. Courses were delivered by external and internal trainers, providing a total of 608 training places on 30 courses. This is over and above the mandatory food safety and induction training conducted at the manufacturing facilities.

In the US, teams receive comprehensive food safety and quality training using an in-house developed matrix and delivered with an e-learning platform in multiple languages. Food safety training is delivered by both in-house trainers and external bodies. In FY17, food safety managers were fully trained in food safety preventative controls as a key part of delivering compliance to the newly implemented Food Safety Modernisation Act. They are now formally known as Preventive Control Qualified Individuals ('PCQI').

Greencore has developed subject matter expertise in areas such as microbiology, pathogen control, allergen control, supply chain auditing, quality culture and regulation and retains internal expertise and governance in all critical food safety and regulatory areas.

Examples of technical training FY17

- Hazard Analysis and Critical Control Points ('HACCP')
- Hygiene
- Thermal processing
- Threat Assessment and Critical Control Points ('TACCP')
- Allergen management
- Labelling regulations
- Nutrition

Technical graduate scheme: The scheme is now in its fifth year, with those joining in FY15 the latest to take up permanent roles in the business. Graduates with degrees in food science or related disciplines join the two year programme, which provides experience and training. After completing two site placements over the two years, graduates are employed in roles across the UK business.

We recognise the importance of Science, Technology, Engineering and Maths ('STEM') skills to our business in the UK and the food industry in general. A number of our technical colleagues are STEM ambassadors who go into schools or attend events to highlight some of the career paths available in food production. Greencore promotes food industry careers, particularly encouraging young scientists to join the industry through the Food Science Summer Schools offered by UK universities.

In the US, we work closely with industry groups and universities, and have actively recruited technologists and interns to support our mission, and develop the careers of the next generation of food scientists and administrators.

Greencore has participated in the Institute of Grocery Distribution ('IGD') Feeding Britain's Future initiative since it began in 2012. Sites provide training for people to help them prepare for employment. This year, our Manton Wood team received the 'National Employer Award' for outstanding performance working with Job Centre Plus to get people into employment. We also contribute through the schools workshop programme where site personnel visit local schools to give guidance to young people on the skills they need in the workplace and provide insight into the variety of jobs available in the food and grocery supply chain.

BUILD A SENSE OF EXCITEMENT AND FUN INTO THE WORK ENVIRONMENT

Our central technical team 'Orange Wig Day' in support of the Anaphylaxis Campaign.

RESPECT, RECOGNISE AND REWARD EVERYONE'S CONTRIBUTION

As part of our People at the Core Survey, in which over 9,500 colleagues participated, we maintained a high engagement level, with a score of 81%. Furthermore, 79% of people said that they are happy to work for Greencore and 75% are likely to recommend people to work for us.

The Greencore Way Awards are a way of recognising and celebrating colleagues who, through their activities, have demonstrated exceptional examples of one or more principles of the Greencore Way.

There are monthly and quarterly events to award colleagues, culminating in an annual presentation at Group level. In FY17, approximately 1,000 colleagues have been recognised with a Greencore Way Award.

Corporate Social Responsibility Report 2017
continued

BUSINESS EFFECTIVENESS

The key activity during FY17 has been a review of Greencore's approach, systems and structures to build on our strategy for FY18 with a focus on increasing delivery of Business Effectiveness and Cost Efficiency.

The Group has continued to progress the lean enterprise road map developed in order to embed lean principles into our ways of working. This has been supported by training with colleagues receiving formal qualifications in Lean Six Sigma Yellow, Green and Black belts. Across Greencore UK manufacturing sites, 199 people have completed Yellow belt training and 25 Green belt training. We also have 23 colleagues outside of manufacturing that have completed belt training and are applying lean principles in roles across different functions.

Projects delivered as part of the belt programme have enabled the business to improve efficiencies. They also promote a continuous improvement culture within manufacturing sites. Lean competencies form part of our key role profiles within our High Definition Leadership Programme.

As part of the Group's reorganisation in the UK, it has committed to an even more effective approach to operations and major projects under a programme called Greencore Manufacturing Excellence.

Since acquiring Peacock Foods in December 2016, much of our focus this year has been on the integration of seven new facilities in Illinois, Ohio and California into the Greencore Group and welcoming new colleagues. This process has enabled us to share and learn from alternative ways of working, recognising practices that support the Business Effectiveness principle. The original Peacock Production System has been adopted in the new Greencore Production System to drive effectiveness and consistency.

Direct to Store distribution colleague.

Colleagues visiting our new US operations.

ENVIRONMENT

EFFICIENTLY USING AND RESPECTING ALL RESOURCES

Being effective at managing and using our resources and reducing waste is entirely consistent with our economic and business aims. Every site and individual has a responsibility to conserve precious resources and reduce our impact on the environment.

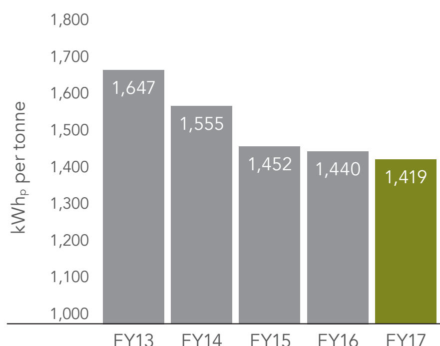
Following on from our comprehensive energy surveys at all of our UK manufacturing sites as part of the Energy Saving Opportunity Scheme ('ESOS') compliance programme, we have developed a 'Greencore Utilities Best Practice Guide', covering all key energy using equipment on our sites. The three main aims of the guide are:

- Optimising the operation of existing utilities equipment;
- Providing guidance and standards for purchasing new utilities equipment; and
- Providing a framework for improvement to feed into phase 2 of ESOS in 2019.

We have developed a tool to assess sites against the best practice guide, and during FY17, piloted this within our Prepared Meals division. This will be rolled out to the remaining UK manufacturing sites in FY18.

During the year, we have continued to implement energy efficiency opportunities that were identified during the ESOS audits. The overall impact has been a further 1.4% reduction in our overall primary energy per tonne of production, now totalling 13.8% reduction in the last four years.

Primary energy consumption per tonne of product (UK manufacturing)



During the year we again responded to the CDP climate change module. Our overall score was C, in line with the overall CDP programme, sector and FTSE 725 averages.

Our annual carbon footprint has been produced using the Department for Environment, Food and Rural Affairs environmental reporting guidelines and UK Government conversion factors for company reporting. We have included our Scope 1 emissions (fossil fuels for process, transport fuel and refrigerant losses) and Scope 2 (electricity), which has been completed on a location based method. Emissions for the last four years are summarised below, all reported as CO_2e:

GLOBAL GHG EMISSIONS
TOTAL GROUP DATA FOR PERIOD 1 OCTOBER 2016 TO 29 SEPTEMBER 2017

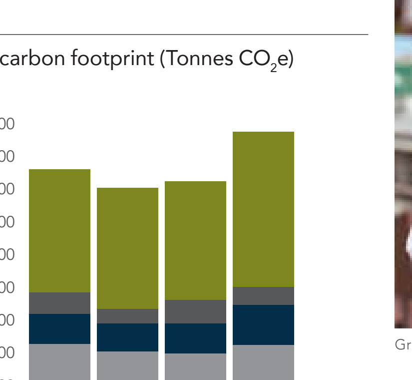
	Tonnes of CO_2e			
	FY14	FY15	FY16	FY17
Emissions from:				
Combustion of fuel and operation of facilities (Scope 1)	77,850	68,530	73,624	80,919
Electricity, heat, steam and cooling purchased for own use (Scope 2)	71,875	70,707	67,546	88,758
Total emissions (Scope 1 & 2)	149,725	139,237	141,170	169,677
Ratio (Kg CO_2e per £1 sales revenue)	0.118	0.104	0.095	0.073

The most significant change during this year has been the growth of the business. The Peacock Foods acquisition added seven new sites in the US, whilst we acquired a new site in the Food to Go division in the UK, with a further development of a new sushi facility coming on line. Our direct to store business increased the number of deliveries into stores by 25%, adding to the transport related element of the Scope 1 emissions.

Our Scope 2 emissions increase from expansion has been offset by energy efficiency improvements and an almost 15% reduction in the carbon intensity of the grid in the UK. During 2018, we will be exploring the opportunity to establish science based targets for greenhouse gases ('GHG') reduction across the Group.

Despite the Group's increase in scale and capacity, our carbon intensity has decreased by 23% in the last year, and 38% since FY14.

Group carbon footprint (Tonnes CO_2e)



The Greencore Way describes who we are and how we will succeed.

Greencore line colleague.

Corporate Social Responsibility Report 2017
continued

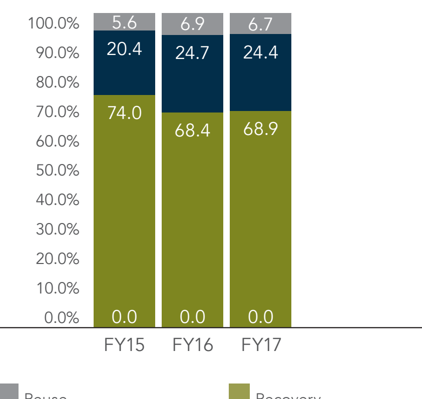
ENVIRONMENT CONTINUED

MANAGING OUR WASTE

We continue to manage our waste in line with the waste hierarchy, with our lean programmes focused on elimination and minimisation at source. During the year, we have continued to focus on redistribution of food for human consumption to avoid it becoming waste through increased internal staff sales and partnerships with The Company Shop/ Community Shop and Fareshare in the UK. During the year we redistributed 746 tonnes of food (in addition to staff sales), equivalent to more than 1.75 million meals.

Recycling and recovery rates for waste from our UK food manufacturing business were consistent with last year. In FY18 we plan to focus on improvements in recycling and will be piloting a 'recycling score' key performance indicator with support for key sites to improve recycling rates. During FY17, we again sent no waste to landfill (directly or indirectly) from our UK manufacturing operations.

Total solid waste removal from sites (UK manufacturing)



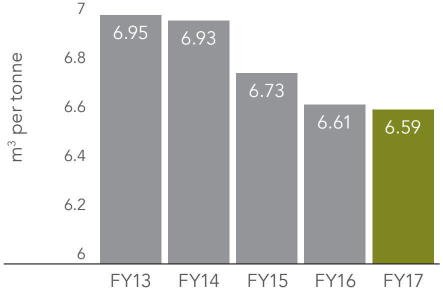
Reuse
Recycling
Recovery
Disposal (0%)

During FY18, we will be reviewing our food waste data against the requirements of the Food Loss and Waste Accounting and Reporting Standard, with a view to supporting UN Sustainable Development Goal 12.3 targeting a 50% reduction in food waste by 2030.

CONSERVATION OF WATER

Whilst we have completed a number of initiatives to reduce water consumption across the business during the year, the nature of our products and the cleaning requirements make a step change improvement a real challenge. Our overall water consumption per tonne of product has remained largely static for the last three years. In FY17, we have prioritised effluent treatment improvements, delivering upgrades at several sites and are currently planning additional treatment at three further sites to be operational in FY18.

Water consumption per tonne of product (UK manufacturing)



ENVIRONMENTAL MANAGEMENT

All of our UK manufacturing sites have been assessed against our environmental roadmap and have been actively working on implementing processes and procedures to improve their scores. Our quarterly UK environmental meetings (with representation from all UK manufacturing sites) provide a forum for sharing best practice and developing environmental programmes. As an example we have undertaken environmental risk assessment to help prioritise future actions on external environmental issues impacting on the Group, and following this, we are developing strategies for longer-term compliance with the Medium Combustion Plant Directive and F-Gas Regulations (high Global Warming Potential F-Gas replacement options).

Our UK Environmental Manager chaired the Chilled Food Association Sustainability Working Group, and in that role represented the CFA at the Environment Agency food industry liaison meeting, as well as participating in supplier initiatives with a number of our key customers.

Greencore colleagues on site induction.

GREAT FOOD

DELIVER INDUSTRY LEADING FOOD SAFETY STANDARDS EVERY DAY

The safety and quality of the foods we produce are top priorities for our business and the Group has highly-developed programmes to deliver compliance to food safety and quality standards.

All UK and US sites are subject to independent third party audits under the Global Food Safety Initiative ('GFSI') Standard. In the UK all sites are registered under the British Retail Consortium ('BRC') Unannounced Scheme whilst in the US sites are audited against BRC or Safe Quality Foods ('SQF') level 3.

These independent audits are further supplemented by internal governance audits across both geographies. Greencore sites received 655 audits by external organisations through FY17. In the US, at Federal level many of our sites operate with a Grant of Inspection from the United States Department of Agriculture ('USDA') Food Safety and Inspection Service and the US Food and Drug Administration ('FDA'). USDA inspectors have offices in relevant sites and have full and open access to our operations to inspect during agreed production hours. The FDA may inspect our facilities on an unannounced basis, at any time.

Greencore's sites are also audited regularly by customers against their corporate standards. In the UK, achievement of 'earned recognition' status with three of our main customers emphasises the trust our customers place in our teams and our standards.

During FY17, we have aimed to form a detailed picture of the internal audit programme across all Greencore sites. The 73,732 internal audits conducted include the thorough product and process 'health checks' carried out by senior technical colleagues, in addition to routine surveillance and Good Manufacturing Practices ('GMP') audits. Together these programmes highlight operational standards and enable continuous improvement, as well as opportunities to demonstrate best practice.

Recently, the US Food Safety Modernisation Act became law. Greencore has fully-trained key food safety managers throughout the business and has deployed food safety plans that deliver compliance with this new legislation.

Colleagues at our Kiveton site.

We manage our complex raw material supply base through a supplier approval process, which in the UK, is operated by central technical and purchasing functions. Our auditing team audits suppliers according to a risk assessment process. During FY17, 189 physical audits of suppliers were carried out, including 35 overseas, while 802 desktop approvals were granted. Risks to the integrity of our raw materials are addressed through a central horizon scanning process and testing schedule. Our specialist subject matter experts carry out regular visits to suppliers and provide a detailed understanding of supply chains.

In FY17, all our UK outbound storage and distribution providers were BRC certified, while we continue to work towards BRC certification for agents. We have reviewed the supply chains behind 120 agents supplying our sites.

We are a founder member of the Food Industry Intelligence Network ('FIIN'), an initiative established in 2015 to address the issue of food fraud. We continue to co-Chair the FIIN governing Board.

We hold Group Marine Stewardship Council certification for UK Food to Go sites. We are members of the Roundtable for Sustainable Palm Oil ('RSPO') and hold multi-site RSPO certification.

CONTINUOUSLY INNOVATE FOOD RECIPES AND TECHNOLOGIES

During FY17, 46% of our products across the UK and the US were new to market. We innovate at all levels within the business, from new ingredients and packaging, process developments to longer-term research. We currently receive funding from Innovate UK for projects within our Food to Go and Prepared Meals divisions. The latter involves a consortium looking at salt and fat reduction in baked quiche.

Nutrition and health are important to Greencore, our customers and consumers. In the UK, we made an early commitment to remove artificial trans fats and do not use partially hydrogenated vegetable oils as ingredients in our products or oils and fats containing trans fats. We continue to work with our customers in the UK to maintain salt within target levels set by Public Health England and to reduce sugar in those categories highlighted in the UK Government Childhood Obesity Strategy. We provide choice for those with particular dietary restrictions, such as gluten intolerance or meat-free preference by innovating in these products within our ranges.

Corporate Social Responsibility Report 2017
continued

GREAT FOOD CONTINUED

ESTABLISH INDUSTRY RECOGNISED FOOD EXPERTISE AND CREDIBILITY

In FY17, we have won many supplier recognition awards in both the UK and the US. These recognise general excellence, as well as specific product success. In addition, Greencore has been recognised with a suite of awards including 'Own Label Supplier of the Year' at the Grocer Gold awards in the UK, for nominations by customers across all product categories.

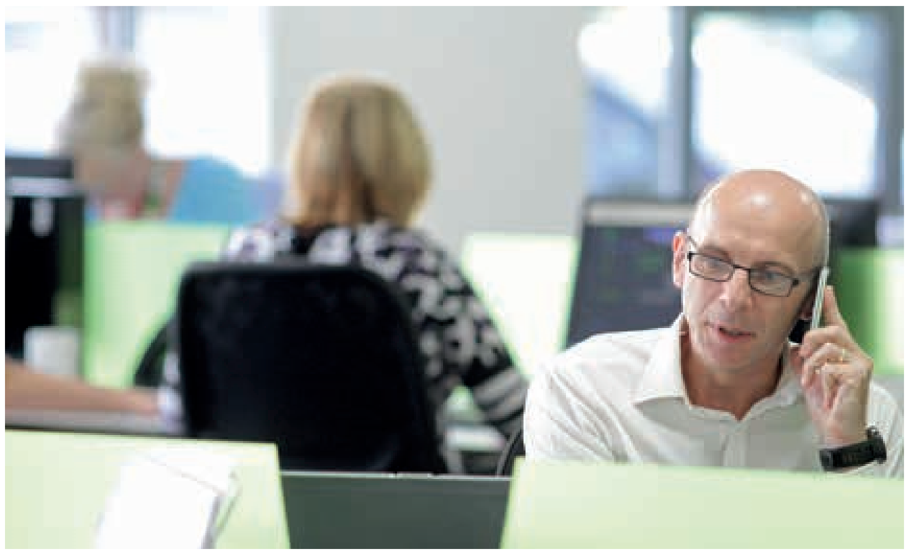
We were named 'Food to Go Manufacturer of the Year' at the British Sandwich awards, and won with celebration cakes, soups, sauces, food to go and dairy products at the Own Label Food and Drink Awards.

Our expertise in developing foods for people with particular dietary requirements has been recognised in awards for two of our 'free from' products developed by our Grocery division. These awards from Free From Foods Matter were initiated to celebrate the innovation shown by the food industry in developing foods free of recognised allergens.

PUT GREAT TASTING FOOD AT THE HEART OF OUR CULTURE

Our colleagues across our sites take part in cooking, tasting new recipes and enjoying food together throughout the year.

One of the Food to Go distribution fleet.


A member of our IT support team.

New York deli sandwich.

1.5bn

sandwiches and other food to go items

Consumers are choosing fresh and healthy foods that are better for them.

fresh & healthy

Chargrilled chicken, pasta, spinach and pine nut salad.

401m

salads and salad kits

Operating and Financial Review[1,2]

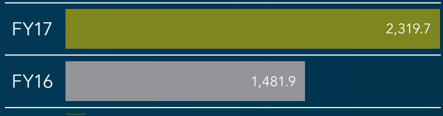
Eoin Tonge

Group revenue was £2,319.7m, 56.5% higher than FY16 and 9.4% higher on a pro forma basis. Adjusted Operating Profit grew by 37.4% to £140.1m, before a considerable exceptional charge of £78.2m.

Group Revenue

£2,319.7m

+56.5%



Adjusted Operating Profit

£140.1m

+37.4%

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 176 to 179.

2 Market/category growth rates are based on Nielsen or Kantar data for the 52 weeks to 9 September 2017 or 12 September 2017 respectively.

OPERATING REVIEW

CONVENIENCE FOODS UK & IRELAND

	FY17 £m	FY16 £m	Change (As reported)	Change (Pro forma basis)
Revenue	**1,438.4**	1,258.8	+14.3%	+11.9%
Adjusted Operating Profit	**106.8**	104.1	+2.6%	
Adjusted Operating Margin	**7.4%**	8.3%	-90bps	

CONVENIENCE FOODS UK & IRELAND STRATEGIC DEVELOPMENTS

Food to Go delivered another year of strong growth, with revenue up 18.8% on a pro forma basis. The Group has extended its long-term partnership model with its customers, enabling deeper strategic engagement on both consumer and supply chain initiatives. Several important business wins and commercial launches were delivered to plan in the period. The business also extended a number of contracts and now has multi-year sole supply agreements in place with all of its core customers. The Group's market share of sandwiches in the UK grocery channel now stands at 60%.

There were significant investments completed at the Group's London facilities (Park Royal and Bow) and at Northampton to deliver business wins and commercial launches. These investments, along with the capacity added through the acquisition of the facility near Heathrow and the integration of the Atherstone facility, provide capacity for medium term growth in a capital efficient manner.

The Group has also invested in the ready meals business during FY17 to reset its capacity and commercial positioning. In addition, there was further rationalisation of the UK portfolio with the exit from the desserts manufacturing business in Evercreech.

In November 2017 the Group announced a streamlining and strengthening of the UK organisational and cost structure. This programme involves a more compact divisional structure, overhead reduction, upgraded operational capability, and greater functional centralisation and standardisation of processes across the business. The overall programme will help underpin operating leverage progression in FY18 and beyond.

The Group has also reviewed its overall technology management structure and investment priorities. Based on the scale of additional investment required and analysis of anticipated benefits, the Group has made a considered decision to cease the planned multi-year rollout of a common Enterprise Resource Planning ('ERP') platform across the UK business. Consistent with this decision, the Group incurred a £29.7m impairment charge in FY17, reflecting investment over the last four years. The Group will now focus on more targeted and cost efficient technology investments that will deliver many of the anticipated benefits. Whilst recognising that any such impairment is unsatisfactory, the decision is consistent with the Group's focus on capital discipline.

DIVISIONAL PERFORMANCE

Reported revenue in the Convenience Foods UK & Ireland division increased by 14.3% to £1,438.4m, achieved against the backdrop of a challenging UK trading environment comprising intense retail competition and significant cost inflation. Pro Forma Revenue Growth was 11.9%, primarily driven by continued strong growth in the Food to Go business. Adjusted Operating Profit rose by 2.6% to £106.8m. Operating leverage was impacted by network and commercial investments associated with significant business win activity in the period, as well as challenging trading conditions in other parts of the division outside Food to Go, that continued as the year progressed.

FOOD TO GO

Food to Go comprises sandwich, sushi and salad activities and accounted for approximately 60% of divisional revenue in FY17. Strong growth was generated in FY17 with reported revenue growth of 24.4% and Pro Forma Revenue Growth of 18.8%. This performance was driven by underlying category growth, helping core customers to outperform, and the contribution from the substantial new business wins. The second half of the year continued to be strong, though it was impacted by a more modest summer trading period and temporary supply issues in the 'side of plate' salad part of the business.

The wider food to go market continues to expand, with strong category growth of 6.6% in the grocery channel in FY17, driven largely by volume. This continued growth is supported by favourable consumer trends including a desire for convenience, an increase in snacking occasions, and a preference for healthier products. This growth is also supported by ongoing investment by retail customers to increase the space dedicated to convenience formats. The Group is also benefitting from extending its product reach and from a broadening channel mix.

The significant commercial activity in the year has involved a large amount of operational change and development. The investments in Park Royal and Bow enabled the launch of a substantial new contract with one of Greencore's key food to go customers announced in September 2016. The investment programme completed at the Northampton facility enabled the final elements of business wins with its key customer at that facility to be launched successfully, including a new sushi range.

At the end of June 2017 the Group acquired a sandwich manufacturing facility near Heathrow. This adds another modern, well invested site to the Food to Go network and provides the scope to grow with new customers outside of the main grocery retail channel. Following substantial investment in its distribution and direct-to-store capability in recent years, this part of the business helped drive strong growth again this year. Revenue for the distribution of third party products now accounts for a high single digit share of Food to Go sales.

As anticipated, the pace of operational change across the Food to Go business began to ease in the second half of the year, with some consequent recovery in operating leverage.

OTHER UK & IRELAND

The other parts of the Convenience Foods UK & Ireland division comprise the ready meals, chilled soups and sauces, cooking sauces, quiche, Yorkshire Pudding and cakes and desserts businesses, as well as the Irish ingredients trading businesses. Revenue growth across these businesses was 2.7%, or 3.5% on a Pro Forma basis.

Operating and Financial Review
continued

Substantial network and commercial investments were made in the ready meals business during the year. The ready meals network was upgraded and extended through investments at the Group's Wisbech and Warrington facilities. New contracts were signed with some key customers in the business and several product ranges were relaunched. Operational leverage was reduced in the period as a result of these initiatives.

Challenging trading conditions in the cakes and desserts businesses were characterised by business churn and high levels of inflation. In May 2017 the Group announced the prospective phasing out of manufacturing at the desserts facility in Evercreech in FY18. An exceptional charge of £16.5m relating to this exit was incurred in FY17.

Elsewhere, the Group's cooking sauce business benefitted from working with customers to maintain the ongoing growth of the own label portion of the market while good progress was made in the Group's Irish ingredients trading businesses as a result of stronger international dairy markets.

UK INFLATION

Inflation trends in the Group's main UK cost components were broadly as anticipated. Raw material and packaging costs rose by approximately 3% in FY17 driven by a rise in certain commodity costs such as dairy, as well as the inflationary impact of a weaker sterling on imported ingredients. Labour inflation in the UK was approximately 4% in the year, primarily due to the effect of increased National Living Wage levels on the Group's wage structure. The Group successfully mitigated the overall effects of this inflation during FY17 by working with customers on a variety of cost and innovation programmes, and by continued internal cost efficiency initiatives.

BREXIT

Although the exact nature of changes to come as a result of Brexit remains unclear, the Group continues to monitor closely the potential implications on its business, including in particular any changes to costs in the supply chain and the availability and cost of labour. However it is worth noting that Greencore's business in the UK is largely 'local' i.e. made and sold in the UK, and therefore carries limited trade risk.

CONVENIENCE FOODS US

	FY17 £m	FY16 £m	Change (As reported)	Change (Pro forma basis)
Revenue	**881.3**	223.1	+295.0%	+5.9%
Adjusted Operating Profit	**33.3**	(2.1)	n/a	
Adjusted Operating Margin	**3.8%**	-0.9%	+470bps	

CONVENIENCE FOODS US STRATEGIC DEVELOPMENTS

The acquisition of Peacock Foods transformed the Group's market and channel position in the US and has provided a growth platform of real scale. The enlarged US business has a strong and diversified customer base across Consumer Packaged Goods ('CPG') companies, foodservice, convenience store and grocery retail channels. Long-term contracts are in place to supply many customers' primary brands and the commercial model includes the scope to co-invest with these customers for capital expenditure on new project activity. The enlarged, well invested network of 14 facilities has the potential to support the Group's ambitions to grow in value added, assembly-led, convenience food manufacturing, with both existing and new customers. The integration of the business is proceeding to plan and is focussed on reducing overheads, optimising procurement and improving network efficiencies.

As anticipated, the first business wins from the combined US pipeline began to be delivered during the period. These were with both new and existing CPG customers across the enlarged network. The broader growth opportunity available to the Group in the US market is highly attractive. Firstly, this is being driven by a trend to high care outsourced manufacturing, where customers are looking for ways to improve returns via more purpose built and effective cost structures, with partners who value quality, trust and food safety. Secondly, there is an increased focus on innovation as customers seek to develop and enhance their commercial strategies in fresh, prepared, 'perimeter of store' food offerings.

The Group is also pleased to confirm that it has recently extended its long-term, strategic partnership with one of the largest and most important US, and Group, customers.

DIVISIONAL PERFORMANCE

The results of Peacock Foods have been consolidated from the end of December 2016. The new combined US business manufactures a wide range of fresh, frozen and ambient convenience food products.

The division reported FY17 revenue growth of 295.0% to £881.3m, primarily reflecting the acquisition of Peacock Foods. Pro Forma Revenue Growth for the division was 5.9%, driven by underlying category growth and the impact of new business wins. The significant deflation in raw materials costs, seen especially in Peacock Foods in H1, eased as the year progressed. A substantial portion of divisional revenue is generated on contracts where these material costs are passed through directly to the customer. Volume growth is therefore a more meaningful indicator of underlying performance. Pro forma volumes for the division grew by approximately 7% in the period.

Divisional growth was driven by a combination of good underlying growth and net new business wins. As anticipated, the first new business wins from the combined commercial pipeline began to be delivered during the fiscal year and all have progressed well to date. There was a significant expansion of the Carol Stream (IL) facility to cater for a large contract win with a key customer in that facility, as well as an expansion in the Romeoville (IL) facility to deliver business wins with new CPG customers. The business also had smaller business wins with CPG and other customers at its Minneapolis (MN), Seattle (WA) and Woodridge (IL) facilities. This growth was offset by some product churn within the ambient co-packing part of the business and the exit from frozen product production in the Group's Jacksonville (FL) facility towards the end of the financial year.

The performance was also supported by good category growth across all the areas in which the Group operates, including lunch kits (+5% volume), frozen breakfast sandwiches (+2% volume), fresh sandwiches (+9% volume) and salad kits (+13% volume).

Adjusted Operating Profit increased by £35.4m to £33.3m driven by the acquisition of Peacock Foods. Underlying profit delivery with core CPG customers was in line with expectations, driven by underlying category growth and the business wins as outlined above. As anticipated, the operational impact of project delivery and new launch activity eased as the

year progressed. Additional operational costs were incurred later in the year in the salad kits business (formerly known as L&L) due to a combination of new business win activity and operational integration. Capacity utilisation improved in some of the Group's original sites, however underlying financial performance only modestly improved, and less than had been anticipated, in that part of the business. Labour inflation in the US was approximately 5% and was mitigated by various cost efficiency initiatives and pricing with customers.

US INTEGRATION

The integration of the business has progressed well and the delivered cost synergies were slightly above expectations in FY17. The consolidation of central offices was completed in the second half of the year. Given the strength of commercial project activity, the Group has decided not to rationalise its manufacturing network which reduces planned integration spend and has a modest impact on the phasing of targeted annualised cost synergies of $15m. The costs of integration in FY17 were £9.3m with now only an additional modest amount expected in FY18.

GROUP CASH FLOW AND RETURNS

STRATEGIC DEVELOPMENT

The focus has been on reducing the trajectory of capital spend throughout the year. A number of initiatives were executed in this regard, including the exit from the chilled desserts facility in Evercreech, the decision not to proceed with the remainder of the planned rollout of an ERP system across the UK business and the acquisition of a facility near Heathrow to provide capacity in Food to Go in a capital efficient manner. In addition, the Group continues to execute investment projects in the US on a co-investment model with customers, including several in FY17.

PERFORMANCE

Operating Cash Flow is used to measure the Group's net generation of cash through business operations. The Group calculates this measure as the net cash flow from operating and investing activities before strategic capital expenditure, contributions to legacy defined benefit pension schemes, interest paid, tax paid, and acquisitions and disposals. Operating Cash Flow was £117.8m in FY17, an increase of £3.9m driven by increased Adjusted EBITDA, offset by increases in working capital, Maintenance Capital Expenditure and exceptional cash outflows.

Maintenance Capital Expenditure was £39.7m in the period, an increase of £7.8m reflecting both the addition of Peacock Foods and the significant expansion of manufacturing footprint in the UK. Strategic Capital Expenditure in the period was £83.6m (FY16: £71.2m), driven primarily by the significant commercial investment activity in both the UK and the US. Cash tax continued to be very low. Overall, net debt increased to £519.2m in FY17, largely reflecting the acquisition of Peacock Foods.

Return on Invested Capital ('ROIC') was 12.2% in FY17, a reduction of 160bps due to the impact of an increased tax rate, investment activity and the acquisition of Peacock Foods. The full-year dilutive effect of the addition of Peacock Foods on ROIC will be seen in FY18.

CAPITAL MANAGEMENT

The Group strengthened its capital structure in FY17. In December 2016, the Group raised £427.0m by way of a rights issue. The net proceeds of the rights issue combined with a new five year $249m bank facility, were used to finance the acquisition of Peacock Foods. The Group also extended the maturity of its primary committed bank facility of £300m to March 2022, and extended the maturity of a £50m bilateral bank facility to March 2020. The Group remains well financed with committed facilities of £720m at the end of the fiscal year and a weighted average maturity of 4.4 years.

The Group's net debt:EBITDA leverage as measured under financing agreements was 2.4x at the end of the financial year, above the benchmark level of approximately 2x that the Group believes is appropriate for the business to operate on a longer term basis.

GROUP CASHFLOW AND RETURNS

	FY17 £m	FY16 £m	Change
Operating Cash Flow	**117.8**	113.9	+£3.9m
Net Debt	**(519.2)**	(331.8)	-£187.4m
Net Debt:EBITDA as per financing agreements	**2.4x**	2.4x	–
ROIC %	**12.2%**	13.8%	-160bps

FINANCIAL REVIEW

REVENUE AND OPERATING PROFIT

The Group completed the acquisition of Peacock Foods on 30 December 2016 and the results of Peacock Foods have been included in the Group results for the nine-month period to 29 September 2017.

Reported revenue in the year was £2,319.7m, an increase of 56.5% versus FY16. Adjusted Operating Profit of £140.1m was 37.4% higher than in FY16, primarily driven by the acquisition of Peacock Foods. Adjusted Operating Margin was 6.0%, 90bps below the prior year, primarily due to the impact of the acquisition of Peacock Foods and significant commercial investments in the UK.

The average exchange rates for the period were £1 – $1.2730 and €1.1487 (FY16: £1 – $1.4172 and €1.2739). The Group now has increased exposure to GBP/USD foreign exchange translation movements as a result of the Peacock Foods acquisition.

ACQUISITION RELATED INTANGIBLES

The Group recognised an amortisation charge of £19.2m on acquisition related intangible assets, up from £9.2m in the prior year. The increase reflects the additional amortisation charge relating to intangible assets, primarily customer relationships, recognised on the acquisition of Peacock Foods in the period.

FINANCE CHARGE

The Group's bank interest payable in FY17 was £24.0m, an increase of £6.9m. The increase was driven by higher average net debt primarily as a result of the Peacock Foods acquisition. £1.8m of interest on major projects was capitalised during the period (FY16: £1.3m).

The Group's non-cash finance charge in FY17 was £7.0m (FY16: £10.8m). The change in the fair value of derivatives and related debt adjustments was a non-cash charge of £2.8m (FY16: £6.5m) reflecting the foreign exchange movement on balances where hedge accounting is not applied. The non-cash pension financing charge of £3.9m was £0.5m lower than the FY16 charge of £4.4m. The Group recorded a £0.3m charge in respect of the movement in the present value of assets and liabilities compared to a £0.1m credit in FY16.

Operating and Financial Review
continued

TAXATION

The Group's effective tax rate in FY17 (including the tax impact associated with pension finance items) was 8% (FY16: 2%). The rate has been low as a result of the benefit of tax attributes including those acquired as part of the Uniq plc acquisition. Substantially all UK tax attributes have now been recognised on the balance sheet such that there is no further rate benefit in the current year, nor expected in the future. The Group has also recognised US tax attributes to the extent that those losses are expected to be available to the Group to offset taxable profits in the short to medium term.

The effective tax rate of the Group is expected to rise in the medium term to a rate representative of a blended rate for the jurisdictions in which the Group operates. There is a degree of uncertainty over the level of this rate, due to a combination of factors including US tax reform, Base Erosion and Profit Shifting ('BEPS') actions and the impact of Brexit on levels of UK taxation.

The effective tax rate applicable to Adjusted Earnings in FY17 was 12% compared with 6% in FY16. When calculating the effective tax rate applicable to Adjusted Earnings, the tax charge excludes the tax effect of those items which are excluded from Adjusted Earnings. These items attract different tax rates depending on the applicable tax rate in the relevant jurisdiction. This results in a different effective tax rate applicable to Adjusted Earnings, as compared to the Group's effective tax rate.

Cash tax continues to be low as the Group utilises historical tax attributes in both the UK and the US. The cash tax rate in the period was 0% (FY16: 0%). The cash tax rate for the Group is expected to rise modestly in the near term as a result of increased profitability and a reduction in the degree to which UK losses may be utilised in any one year. Overall it is expected to stay low for the medium term.

EXCEPTIONAL ITEMS

The Group incurred a pre-tax exceptional charge of £78.2m in the period. Cash outflows associated with this charge are £38.6m, some £28.7m of which were incurred during FY17 with the remainder to be incurred in FY18.

The overall charge is comprised as follows:

- a charge of £29.7m relating to the impairment of software assets, associated with the decision not to proceed with the planned rollout of a common ERP platform across the UK business;
- a charge of £16.5m relating to business exit costs associated with the prospective exit from desserts manufacturing at the Group's Evercreech facility;
- a charge of £15.6m for transaction costs relating to acquisitions during the current financial year, of which £15.2m relates to the acquisition of Peacock Foods in December 2016 and £0.4m relates to the acquisition of a sandwich manufacturing facility near Heathrow in the UK in June 2017;
- an £11.2m integration and reorganisation charge, of which £9.3m relates to the acquisition of Peacock Foods, £0.4m relating to the completion of the integration of The Sandwich Factory, and £1.5m relates to costs associated with streamlining the management structure within Convenience Foods UK & Ireland;
- a £4.1m charge in relation to pre-commissioning and start-up costs related to significant plant development and related on-boarding of new business at its facilities in Northampton and Warrington in the UK and Carol Stream (IL) in the US; and
- a £1.1m charge relating to a legal settlement incurred during the period.

EARNINGS PER SHARE

Adjusted Earnings of £100.5m in the period were 26.1% ahead of the prior year. Adjusted Earnings Per Share of 15.4 pence was 3.8% behind FY16 which reflects the impact of an increased number of shares in issue as a result of the rights issue. Basic earnings per share was 1.9 pence (FY16: 9.5 pence). The weighted average number of shares in issue in FY17 was 652.5m (FY16: 497.6m). The weighted average number of shares in issue in FY16 has been restated for the impact of the bonus issue incorporated in the rights issue and accordingly earnings per share measures have been restated.

OPERATING CASH FLOW AND NET DEBT

Operating Cash Flow was £117.8m in FY17, an increase of £3.9m driven by increased Adjusted EBITDA, offset by increases in working capital, Maintenance Capital Expenditure and exceptional cash outflows. Adjusted EBITDA grew by 37.1% to £189.7m driven primarily by the acquisition of Peacock Foods. A working capital outflow of £3.0m was incurred. Capital expenditure of £123.3m was incurred in the period (FY16: £103.1m), driven by the significant commercial investment programme. The total cash outflow during the year in respect of exceptional charges was £33.7m (2016: £9.9m), of which £5.0m was in respect of prior year exceptional charges.

The Group's net debt at 29 September 2017 was £519.2m, an increase of £187.4m from 30 September 2016 reflecting the impact of the new facility to part fund the Peacock Foods acquisition.

FINANCING

In December 2016, the Group raised £427.0m, net of associated fees, by way of a rights issue, by issuing 9 new shares for every 13 shares held. The net proceeds of the rights issue combined with a new five year $249m bank facility, were used to finance the acquisition of Peacock Foods as well as to pay transaction fees and expenses. Further details of this acquisition are set out in Note 31 to the Group Financial Statements.

In addition to the new debt financing for the Peacock acquisition the Group also extended the maturity of its primary committed bank facility of £300m for a further year to March 2022, and extended the maturity of a £50m bilateral bank facility for a further 18 months to March 2020. The Group remains well financed with committed facilities of £720m at the end of September 2017 and a weighted average maturity of 4.4 years.

Consumers continue to seek value for money and this remains a key factor in buying behaviour. We work with our customers to carefully design our products to ensure they offer exceptional value.

Premium maple bacon and extra mature cheddar quiche.

34m

quiche

Operating and Financial Review
continued

PENSIONS

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

The net pension deficit relating to legacy defined pension schemes (before related deferred tax) at 29 September 2017 was £124.8m, £37.5m lower than the position at 30 September 2016. The net pension deficit after related deferred tax was £103.1m, a decrease of £31.6m from 30 September 2016. The decrease in net pension deficit was driven principally by an increase in discount rates applied to the UK scheme liabilities.

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

DIVIDENDS

The Board of Directors is recommending a final dividend of 3.37 pence per share. This will result in a total dividend for the year of 5.47 pence per share (FY16: 5.47 pence per share). The total dividend represents a payout amount of approximately 38% of Adjusted Earnings, in line with the policy to maintain an annual dividend pay-out equivalent to 30–40% of Adjusted Earnings.

SUMMARY

Greencore anticipates delivering a year of strong growth in FY18 and is well positioned to drive improved profitability, cashflow and returns over the medium term. Building on what has been an intense phase of strategic progress and network investment, Greencore will now take advantage of its exposure to higher growth categories in the UK and US convenience food markets.

EOIN TONGE
Chief Financial Officer
27 November 2017

Group Executive Board

In FY17, the Group Executive Board, upon delegation by the Board, undertook the responsibility for delivering the strategy and leading the organisational and capability performance. In November 2017, the Group announced a new senior leadership team structure, comprising a UK leadership team and a US leadership team.

Patrick Coveney*

CEO, Greencore Group

Patrick has been Chief Executive Officer since 2008. He joined the Board on 5 September 2005, having been appointed as Chief Financial Officer. Prior to joining Greencore, Patrick was Managing Partner of McKinsey & Co., Ireland. Patrick serves as a Non-Executive Director of Glanbia and is also a non-executive Chairman of Core Media.

Eoin Tonge*

CFO, Greencore Group

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

Peter Haden

COO, Greencore Group

Peter became the Group's Chief Operations Officer in March 2017. Before taking up this role, Peter held the position of Group Chief Development Officer from January 2015. Peter is responsible for large-scale project delivery, business systems and acquisition integration services. He works with senior management and the Board on the Group's strategy. Prior to joining Greencore, Peter was a Partner with McKinsey & Co., where he led the UK Consumer Practice. Before McKinsey, he was a brand manager with Procter & Gamble.

Chris Kirke

CEO, Greencore US

Chris is responsible for Greencore's fast growing business in the US, which has become a leading manufacturer of consumer packaged goods for many of the largest food brands in the US since the acquisition of Peacock Foods in December 2016. Chris took over the US operation in 2015 following his seven year role as Managing Director of Greencore's UK Food to Go division. Prior to joining Greencore, Chris worked for ten years in a number of senior management roles within the food industry.

Kevin Moore

MD, Greencore Food to Go

Kevin is the Managing Director of Greencore Food to Go, which is a large manufacturer of sandwiches, salads and sushi for major retailers in the UK. Kevin joined the Group in 1999 and prior to his appointment in 2015 Kevin was Managing Director of Greencore's UK Prepared Meals division. Before joining the business, Kevin worked for more than a decade in senior roles in management consultancy and retail.

Clare Rees

MD, Greencore Prepared Meals

Clare is the Managing Director for Greencore Prepared Meals, which is a leading manufacturer of chilled ready meals, quiche, chilled soups and chilled sauces in the UK. Clare joined Greencore as a graduate in 1996 and held a variety of senior roles in the Food to Go division including Business Unit Managing Director of Greencore Food to Go Retail. In the new leadership structure, Clare will be responsible for the new UK Convenience Foods division.

Nigel Blakey

MD, Greencore Grocery

Nigel holds the position of Managing Director of Greencore's Grocery division. The Grocery division manufacture ambient cooking sauces and dips, table sauces, pickles and Yorkshire Puddings, as well as cakes and desserts. Since joining the Group in 1996, Nigel has held a number of senior positions including serving as the division's Finance & Strategy Director in the Grocery division. In the new leadership structure, Nigel will change role to UK Development Director.

Phil Taylor

HR Director, Greencore Group

As Group HR Director, Phil is responsible for human resources across the Group. Since joining Greencore in 1999, Phil has held a variety of roles across various Greencore business units including the position of Managing Director for Greencore Grocery. Before joining Greencore, Phil worked in a number of commercial roles in a range of non-food branded businesses.

* Denotes Greencore Group plc Board Director.

Board of Directors

PG Kennedy, BA, FCA

Non-Executive Director (Aged 59)

Biography

Gary joined the Board as a Non-Executive Director on 20 November 2008 and subsequently became Chairman on 29 January 2013. Gary currently serves as Chairman of Connect Group plc and Green REIT plc. Gary has extensive board experience and in the past has served on the boards of Elan plc, Allied Irish Bank and the IDA. He was also a Government appointed Director of IBRC.

Committee membership

Nomination and Governance Committee
Remuneration Committee

PF Coveney, B Comm, M Phil, D Phil

Chief Executive Officer (Aged 47)

Biography

Patrick joined the Board on 5 September 2005 having been appointed as the Group's Chief Financial Officer. In March 2008, Patrick was appointed Chief Executive Officer. Before joining Greencore, Patrick was Managing Partner of McKinsey & Co., Ireland. Patrick serves as a Non-Executive Director of Glanbia plc and is also a non-executive Chairman of Core Media.

EP Tonge, B Eng

Chief Financial Officer (Aged 45)

Biography

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

HA McSharry, B Comm, MBS

Non-Executive Director (Aged 56)

Biography

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

Committee membership

Audit Committee
Remuneration Committee*

SG Bailey

Non-Executive Director (Aged 55)

Biography

Sly joined the Board as a Non-Executive Director on 17 May 2013. Sly currently serves as a Non-Executive Director of the London Real Estate Exchange Ltd. She is the former Chief Executive Officer of Trinity Mirror plc. In the past, Sly has served as Non-Executive Director on the boards of Ladbrokes plc and Littlewoods plc, as well as EMI plc, where she was Chair of the Remuneration Committee and Senior Independent Director. In addition, she served as Non-Executive Director of The Press Association, where she was also Chair of the Remuneration Committee.

Committee membership

Audit Committee
Nomination and Governance Committee

JA Warren, BSc, FCA

Non-Executive Director (Aged 64)

Biography

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

Committee membership

Audit Committee*

* Denotes Committee Chair.

JJ Moloney, B Ag Sc, MBA

Non-Executive Director (Aged 63)

Biography

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

Committee membership

Nomination and Governance Committee*
Remuneration Committee

EL Nicoli, CBE, BSc

Non-Executive Director
Senior Independent Director
(Aged 67)

Biography

Eric was appointed to the Board as Non-Executive Director on 14 May 2010 and became Senior Independent Director in January 2014. Eric currently serves as Chairman of YS Topco Ltd (Yo! Sushi), Centtrip Ltd and Wentworth Media & Arts Ltd. He is also a Director of Akazoo Ltd (formerly R&R Music Ltd). Previously Eric served as Group Chief Executive of United Biscuits (Holdings) plc until 1999 and was also Chairman and Chief Executive of EMI Group plc until 2007.

Committee membership

Nomination and Governance Committee

TH Sampson

Non-Executive Director (Aged 59)

Biography

Tom joined the Board as Non-Executive Director on 1 February 2017. Tom served as Chief Executive Officer of Peacock Foods from 2013 to 2016. Prior to that, Tom held top management positions at Kraft Foods including 10 years as President of Kraft North American Food Service. A former Chairman of the International Foodservice Manufacturer's Association, Tom currently serves as President of Chicago Children's Advocacy Center and on the Board of Directors of the Community Coffee Company LLC.

KF O'Malley, AB, JD

Non-Executive Director (Aged 70)

Biography

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

CM O'Leary, FCIS

Group Company Secretary (Aged 48)

Biography

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

BOARD DIVERSITY

By gender	
Male	8
Female	2

By role	
Non-Executive	8
Executive	2

By tenure	
< 1 year	2
1–2 years	1
3–5 years	4
5–10 years	2
> 10 years	1

Directors' Report

INTRODUCTION

The Directors present their Report and Financial Statements for the year ended 29 September 2017. The Directors' Report is contained on pages 50 to 104.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

In the UK, Greencore has strong market positions across sandwiches and other food to go products as well as complementary positions in other convenience food categories, including chilled prepared meals, chilled soups and sauces, ambient sauces and pickles, cakes and desserts and Yorkshire Puddings. It is a supplier of own-label products to all of the major supermarkets, and has world-class manufacturing sites with industry-leading technology and supply chain capabilities.

Following its acquisition of Peacock Foods in December 2016, Greencore is now a leading manufacturer of consumer packaged goods for many of the largest food brands in the US. The Group also produces chilled and frozen food to go products for convenience retail and food service leaders in the US.

The Group's performance and development activity is summarised in the Operating and Financial Review set out in pages 42 to 48. The principal subsidiary and associate undertakings are listed in Note 33 to the Group Financial Statements and form part of this report.

RESULTS FOR THE YEAR

The Group Income Statement, which is out on page 111 details the Group's results for the year. The Group reported an Operating Profit for the year before acquisition related amortisation and exceptional items of £140.1m (FY16: £102.0m), whilst the profit after taxation and exceptional charges was £13.9m (FY16: £48.5m).

DIVIDENDS

An interim dividend of 2.10 pence (FY16: 2.10 pence) per share was paid on 3 October 2017. The Directors are recommending a final ordinary dividend of 3.37 pence (FY16: 3.37 pence) per share. Subject to shareholders' approval, this dividend is to be paid on 5 April 2018 to shareholders who are on the register of members at 5.00 pm on 8 December 2017. This will give a total dividend of 5.47 pence for the year, subject to shareholders' approval.

SHARE CAPITAL

Pursuant to a rights issue to part finance the acquisition of Peacock Foods, 273,565,760 Ordinary Shares were issued on 21 December 2016. Furthermore, as part of a rump placement, 13,649,203 Ordinary Shares were issued on 21 December 2016.

During the year 4,250,498 (FY16: 1,883,280) Ordinary Shares were issued under the Company's Scrip Dividend Scheme and 714,595 (FY16: 1,283,084) Ordinary Shares were issued under the Company's ShareSave Schemes. Further details are set out in Note 25 to the Group Financial Statements.

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 Annual General Meeting ('AGM') of the Company held on 31 January 2017, the shareholders gave the Directors the authority to allot shares up to a maximum nominal amount equal to £2,316,919.06. This authority will expire at the forthcoming AGM and therefore, shareholders will be asked to renew, until the date of the AGM to be held in 2019 or 30 April 2019, whichever is earlier, the authority of the Directors to allot new shares. This authority will be limited to the allotment of up to an aggregate nominal value of 33% of the nominal value of the Company's Issued Share Capital.

Shareholders will also be asked at the forthcoming AGM to approve until the date of the AGM to be held in 2019, or 30 April 2019, whichever is earlier, the Directors' power to disapply the strict statutory pre-emption provisions relating to the issue of the new equity for cash. The disapplication will be limited to the allotment of equity securities in connection with any rights issue or any open offer to shareholders and the allotment of shares in lieu of dividends, and/or the allotment of shares up to an aggregate nominal value equal to 5% of the nominal value of the Company's Issued Share Capital.

At the AGM held on 31 January 2017, the shareholders passed a resolution to give the Company, or any of its subsidiaries, the authority to make market purchases of up to 10% of its own shares. At the forthcoming AGM, shareholders will be asked to authorise the Directors, until the date of the AGM to be held in 2019 or 30 April 2019, whichever is earlier, to make market purchases or overseas market purchases of up to 10% of its own shares. Whilst the Directors do not have any current intention to exercise the power to purchase the Company's own shares, any purchases would be made only at price levels which the Directors consider to be in the best interests of the shareholders generally, taking into consideration the Group's overall financial position. In addition, the authority being sought from shareholders will provide that the minimum price which may be paid for such shares shall not be less than the nominal value of the shares and the maximum price will be the higher of 105% of the then average market price of such shares and the amount stipulated by Article 3(2) of the EU Delegated Regulation on Regulatory Technical Standards on buy-back programmes and stabilisation measures (EU/2016/1052).

Shareholders will be asked to pass a resolution at the forthcoming AGM authorising the Company to re-allot shares purchased by it and not cancelled as treasury shares. If the resolution is passed, the authority will expire on the earlier date of the AGM in 2019 or 30 April 2019 and the minimum price at which treasury shares may be re-allotted shall be set at the nominal value of the share where such a share is required to satisfy an obligation under an employees share scheme or, in all other cases, an amount equal to 95% of the then market price of such shares and the maximum price at which treasury shares may be re-allotted shall be set at 120% of the then market price of such shares.

Subject to the necessary approval from shareholders at the forthcoming AGM, the Directors intend to continue the Scrip Dividend Scheme so that eligible shareholders will be offered the opportunity to take all or part of the FY17 final dividend of 3.37 pence per Ordinary Share in the form of fully paid new Ordinary Shares.

FUTURE DEVELOPMENTS

Greencore anticipates delivering a year of strong growth in FY18 and is well positioned to drive improved profitability, cash flow and returns over the medium term. Building on what has been an intense phase of strategic progress and network investment, Greencore will now take advantage of its exposure to higher growth categories in the UK and US convenience food markets.

The Group anticipates good revenue growth in FY18, driven by a full-year contribution from Peacock Foods and organic growth in both the UK and the US. Further new business wins are expected in the US, the financial impact of which will be determined by the phasing of commercial execution. The Group anticipates that the UK business will see a modest improvement in operating leverage despite continued inflationary pressures, and that the US division will benefit from the delivery of further cost synergies. The rate of EPS growth is expected to be moderated by an increasing tax rate. The Group also anticipates that by the end of the year it will be approaching its benchmark leverage ratio of approximately 2x Net Debt to EBITDA.

DIRECTORS

Mr EP Tonge was appointed Chief Financial Officer and Executive Director on 3 October 2016, replacing Mr AR Williams who resigned from his position as Chief Financial Officer and Executive Director on the same day. Mr Williams remained with the Group until the end of December 2016 to facilitate an orderly transition. On 1 February 2017 Mr TH Sampson was appointed to the Board as Non-Executive Director, followed by Ambassador KF O'Malley who was appointed to the Board as Non-Executive Director on 14 March 2017.

Furthermore, Mr EL Nicoli has confirmed his intention to retire from the Board as Non-Executive Director following the December 2017 Board meeting. Ms SG Bailey will replace Mr Nicoli as Senior Independent Director upon his retirement.

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

In line with the 2016 Code, in the year under review, each Director was subject to a formal internal evaluation. Following on from the review, the Chairman and Board are pleased to recommend for re-election of those Directors who are seeking re-appointment at the forthcoming AGM as they continue to be effective and remain committed to their role on the Board. In accordance with Provision B.6.2. of the 2016 Code, it is intended that an external evaluation will continue to be conducted at least every three years. In line with this provision, the next external evaluation is scheduled to take place during the course of FY18.

DIRECTORS' INTERESTS IN SHARE CAPITAL AT 29 SEPTEMBER 2017

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

SIGNIFICANT SHAREHOLDINGS

At 29 September 2017, the Company has been advised of the following notifiable interests in its Ordinary Share Capital:

	No. of interests in Ordinary Shares	% of Issued Share Capital
Polaris Capital Mgt	48,675,070	6.90
Old Mutual Global Investors	35,805,839	5.07
Capital Research Global Investors	31,907,987	4.52
Deka Investment Mgt	22,099,449	3.13

Directors' Report
continued

At 27 November 2017, the Company has been advised of the following notifiable interests in its Ordinary Share Capital:

	No. of interests in Ordinary Shares	% of Issued Share Capital
Polaris Capital Mgt	50,929,235	7.21
Old Mutual Global Investors	35,266,328	4.99
Capital Research Global Investors	30,232,987	4.28
Deka Investment Mgt	21,438,851	3.04

Other than these holdings, the Company has not been notified as at 27 November 2017 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 (the '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 56 to 62, 94 to 100 and 103 and 104.

Greencore Group plc is registered in Ireland and as an Irish incorporated company it is not subject to the UK executive remuneration requirements as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Nonetheless, in order to ensure transparency to all of our stakeholders, we have sought to comply with these requirements on a voluntary basis, to the extent possible under Irish law. The Report on Directors' Remuneration is contained on pages 63 to 93.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to maintaining sustainable and ethically responsible corporate and social practices in every aspect of its business for the benefit of its stakeholders. More details in relation to our Corporate Social Responsibility agenda can be found on pages 30 to 38.

RESEARCH AND DEVELOPMENT

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

TAXATION STATUS

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

ACCOUNTING RECORDS

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

DIRECTORS' COMPLIANCE STATEMENT

The Directors acknowledge that they are responsible for securing compliance by the Company of its relevant obligations as set out in the Companies Act 2014 (the '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 29 September 2017, the Directors, with the assistance of the Risk Management Group, conducted a review of the arrangements and structures in place. In discharging their responsibilities under Section 225 of the Companies Act 2014, the Directors relied on the advice of persons who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its Relevant Obligations.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the Directors individually confirm that:

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

AUDITOR

The auditor, KPMG, Chartered Accountants, continues in office in accordance with Section 383 of the Companies Act 2014.

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. Since 2014, the Company has put an annual advisory resolution before shareholders in respect of the continuation in office of KPMG as external auditor. It is intended that this resolution will once again be put before shareholders at the forthcoming AGM.

NOTICE OF ANNUAL GENERAL MEETING AND SPECIAL BUSINESS

Notice of the 2018 AGM, together with details of special business to be considered at the meeting, will be circulated to shareholders during December 2017.

On behalf of the Board

PG KENNEDY
Chairman
Dublin
27 November 2017

EP TONGE
Director

Corporate Governance Report

The core purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that is capable of delivering long-term success. Greencore has a robust corporate governance framework through which the Group fully commits to the highest ethical and professional standards in all its activities and operations.

The benchmark used by the Group for measuring corporate governance is the 2016 UK Corporate Governance Code (the '2016 Code'). This statement explains how the Company has applied the principles and complied with the provisions set out in the 2016 Code.

Whilst Greencore is not listed on the Irish Stock Exchange, 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 has complied fully with the 2016 Code and the relevant provisions of the Annex throughout the financial year ended 29 September 2017 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 Irish Stock Exchange's website, www.ise.ie.

The Board, with the assistance of the Nomination and Governance Committee, 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.

My colleagues on the Board and I acknowledge and fully embrace our role in setting and fostering Greencore's culture. This culture is underpinned by the four principles of The Greencore Way, which are the drivers of our behaviour. Diversity, mutual respect and the ability to challenge are fundamental to the way we operate as a Board.

Together, these characteristics set the tone for management and employees of the Group to follow. We believe that having a healthy and enduring culture both protects and generates value. Throughout the year, the Board has visited many of the Group sites, and the Board recognises that spending time in the business is critical for getting a true sense of the culture in different parts of the business.

PG KENNEDY
Chairman
27 November 2017

Corporate Governance Report
continued

BOARD OF DIRECTORS

The Board is responsible for the governance of the Group. It is also responsible for leading, monitoring and controlling the Group, and for promoting its long-term success. The Board consists of two Executive Directors and eight Non-Executive Directors. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 50 and 51.

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 corporate governance standards are maintained.

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

On 3 October 2016, Mr AR Williams resigned from his position as Chief Financial Officer and Executive Director and was replaced by Mr EP Tonge. Mr Williams remained with the Group until the end of the calendar year in order to ensure an orderly transition.

During the period under review, Greencore has further strengthened its Board through the appointment of two Non-Executive Directors. Mr TH Sampson was appointed to the Board on 1 February 2017, having previously served as Chief Executive Officer of Peacock Foods from 2013 to 2016. Prior to joining Peacock Foods, Mr Sampson spent 28 years at Kraft Foods, including 10 years as President of Kraft North American Food Service. His extensive experience and knowledge of the wider US food industry is key as Greencore continues to expand in the US. The Board acknowledges that, resulting from his role in Peacock Foods, Mr Sampson is not considered to be independent. Furthermore, Mr Sampson is currently Chair of the Group's US Advisory Council and he receives a separate fee for this additional responsibility.

Ambassador KF O'Malley was appointed to the Board on 14 March 2017, having previously served as the United States Ambassador to Ireland from October 2014 to January 2017. Ambassador O'Malley previously spent 11 years as Partner of Greensfelder, Hemker, and Gale, PC, as a legal advisor. In addition, Ambassador O'Malley has industry experience as an investor in the US hospitality sector and brings to the Board a wealth of knowledge and insight to support the Group's overall growth and in particular the Board's vision to build a large scale, high performing convenience food business in the US.

These two appointments underscore the significant developments that have taken place within the Group including the acquisition of Peacock Foods in December 2016. Together, these appointments enhance the Board by bringing both geographic diversity, knowledge and key industry experience.

Furthermore, Mr EL Nicoli has confirmed his intention to retire from the Board as Non-Executive Director following the December 2017 Board meeting. Ms SG Bailey will replace Mr Nicoli as Senior Independent Director upon his retirement.

The Board reviewed the independence of each of the Non-Executive Directors who are submitting themselves forward for re-election at the forthcoming Annual General Meeting ('AGM'). Notwithstanding the status of Mr Sampson, the Board confirms that each of the other Non-Executive Directors are independent. In addition, none of the other Non-Executive Directors have any material or other relationship with the Group.

In December 2016, the Board, on recommendation from the Nomination and Governance Committee, reviewed the composition of the Board and each of the Board committees (the 'Committees'). This review resulted in a reconfiguration of membership in both the Nomination and Governance Committee and the Remuneration Committee. As part of the changes to the membership of the Committees, Mr EL Nicoli stepped down as Chair and as a member of the Remuneration Committee. Ms HA McSharry took over the role as Chair of the Remuneration Committee and Mr JJ Moloney joined the Remuneration Committee. Mr Nicoli then became a member of the Nomination and Governance Committee. These changes took effect at the conclusion of the AGM held on 31 January 2017. Following these changes, it was determined that both the Board and the Committees are of the correct size and structure with no one individual or small group having the ability to dominate decision making. Furthermore, given the current composition of the Board, no undue reliance is placed on any individual Non-Executive Director. The Board continues to ensure that each of the Non-Executive Directors, where possible, remain impartial and independent, notwithstanding the appointment in February 2017 of Mr Sampson as explained above. The Board is confident that the Board's composition is sufficiently independent in order to meet the collective challenges of their roles.

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 59. Additional Board meetings are held on an ad-hoc basis as required throughout the year. In advance of the acquisition in December 2016 of Peacock Foods further Board and Audit Committee meetings were held. Board meetings generally take place at the Group's head office in Dublin along with the offices of the Group's operating subsidiaries, wherein tours of the local facilities, and visits to customer stores where appropriate, are also incorporated into the Board agenda. In FY17, the Board held two strategy sessions, which took place in the US at the Geneva manufacturing site, and in Ireland at an off-site location. Each session was held over the course of two days.

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

Corporate Governance Report
continued

BOARD OF DIRECTORS CONTINUED

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

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

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

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

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

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

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

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

The Board understands the importance of an effective evaluation process. As set out on page 53, each year the Board conducts an annual self-evaluation, which is led by the Chairman. The evaluation focuses on individual Board members, Board effectiveness, the composition of the Board, the interaction between Board members, Board and committee meetings and the performance of the Board as a whole in the year under review.

Each year, as part of the performance evaluation process, the Non-Executive Directors, led by the Senior Independent Director, undertake an evaluation process without the Chairman's involvement, to evaluate the Chairman's performance. The views of the Executive Directors and the Group Company Secretary are also taken into account. This forms part of the broader Board effectiveness review and assists in ensuring a robust, independent and effective Board.

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

As detailed on page 53, the Committees and the individual Directors are also subject to an externally facilitated evaluation process on a triennial basis.

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 50 and 51 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 63 to 102.

	FY17	FY16
Average number of Executive Directors	**2**	2
Average number of Non-Executive Directors	**8**	6

ATTENDANCE AT SCHEDULED BOARD AND COMMITTEE MEETINGS

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

	Board	Audit Committee[1]	Nomination and Governance Committee[1]	Remuneration Committee[1]
SG Bailey	●●●●●●●○	●●○	●●	–
PF Coveney	●●●●●●●●	–	–	–
PG Kennedy	●●●●●●●●	–	●●	●●●
HA McSharry	●●●●●●●●	●●●	–	●●●
JJ Moloney	●●●●●●●●	–	●●	●●
EL Nicoli	●●●●●●●○	–	●	●
JA Warren	●●●●●●●●	●●●	–	–
EP Tonge	●●●●●●●●	–	–	–
TH Sampson[2]	●●●●●	–	–	–
KF O'Malley[3]	●●●●	–	–	–

1 Each committee held additional meetings throughout the year. Further detail of the meetings is set out in the respective committee reports.
2 Mr TH Sampson joined the Board on 1 February 2017.
3 Mr KF O'Malley joined the Board on 14 March 2017.

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.

US ADVISORY COUNCIL

During the year, a Group US Advisory Council ('Council') was set up to advise the Board on all matters relevant to the development of the Group's business in the US including the integration of new business, strategy and succession planning relating to the US. The Council is chaired by Non-Executive Director, Mr Sampson and its membership consists of the Chief Executive Officer, members from US senior management and external appointees as the Board may appoint from time to time. The Council will meet at least twice a year, and the Group Company Secretary will act as Secretary to the Council. The Council's first meeting will take place in early December 2017 in the US Central Office in Illinois.

COMMUNICATION WITH SHAREHOLDERS

It is the role of the Board to promote the long-term success of the Company and to ensure that its obligations to its shareholders and other stakeholders are met. Therefore, the Group gives priority to effective dialogue with shareholders and ensuring active shareholder engagement. Throughout the year, apart from when the Group is in a close period, the investor relations team meets with institutional and major shareholders. In addition, following the significant votes received against two resolutions relating to remuneration at the 2017 AGM, the Remuneration Committee engaged with shareholders during the year to understand their views on remuneration and to consult in relation to proposal changes to remuneration in FY18. Further information is detailed in the Report on Remuneration on pages 63 to 93.

The Group promotes communication with shareholders and the Group welcomes queries via telephone, post or email. The Board also encourages shareholders to make use of their votes at all general meetings. In addition, the Group runs an active investor relations management programme that comprises results releases, trading updates, conference presentations and regular ongoing dialogue with the investment community.

Shareholder presentations are made at the time of issue of the Group's half-year and full-year results, following which the Chief Financial Officer provides the Board with an update on feedback received. The Board receives regular updates on analyst coverage along with details in relation to share price movements and analysis of any significant changes in the shareholder base.

Periodically, additional events are held which provide the opportunity for the investment community to increase its knowledge in relation to the Group's vision, strategy, organisation and business model. In March 2017 the Group hosted an institutional investor and analyst seminar at the Group's Food to Go facility in Northampton. In June 2017 the Group held a Capital Markets Day in Chicago, hosted by the Chief Executive Officer which included site visits as well as presentations from the executive and divisional management teams.

Corporate Governance Report
continued

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

Shareholders can elect to receive the Annual Report in paper form, or may elect to receive an email notification advising that the Annual Report is available on the Group's website. Shareholders can also elect to receive an email notification when new information concerning the Group is available on the Group's website.

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

The notice of the AGM and the Annual Report and Financial Statements are sent to shareholders at least 20 working days before the date of the meeting and details of the total number of votes cast, the number of votes for and against each resolution and the number of abstentions are announced at the meeting and are also available on the Group's website following the conclusion of the AGM. In the year under review, the Company held its AGM on 31 January 2017, wherein all shareholders were given the opportunity to ask questions or voice any concerns.

SHAREHOLDERS' MEETINGS
The Company operates under the Companies Act 2014 (the 'Act'). The Act provides for two types of shareholder meetings: the AGM with all other general meetings being called an 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 general meeting. Matters reserved to shareholders in general meetings include the election of Directors, the declaration of dividends on the recommendation of the Directors, the fixing of the remuneration of the external auditor, amendments to the Articles of Association, measures to increase or reduce the Ordinary Share Capital and the authority to issue shares.

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

PRINCIPAL RISKS AND UNCERTAINTIES
Similar to any large group, Greencore faces a number of risks and uncertainties. The key risks facing the Group include strategic risks, commercial risks, operational risks and financial risks. Under Irish company law (Section 327(1) (b) of the Companies Act 2014 and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended), the Directors are required to give a description of the principal risks and uncertainties which the Group faces. The principal risks and uncertainties identified are set out on pages 24 to 29 and form part of this report.

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

Further details on risks and uncertainties are outlined on pages 24 to 29.

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 94 to 100.

Details regarding the Group's internal controls are highlighted on pages 61 and 62 of this report. Details of the Group's financial risk management and hedging policies are set out in Note 21 to the Group Financial Statements. Details of the Group's financial key performance indicators are set out on pages 20 and 21. These disclosures form part of this report.

GOING CONCERN

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

VIABILITY STATEMENT

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

Assumptions are built for the Income Statement, Balance Sheet and cash flow at the divisional level. 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 24 to 29. These risks could affect the level of sales and profitability of the Company and the amount of capital required to deliver them. A model of financing requirements is also built for the same time period taking into account the base plan and sensitivities against this, together with the likelihood of being able to refinance maturing committed facilities. Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

INTERNAL CONTROL

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

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

The process involves the Board reviewing and analysing the following:

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

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

Corporate Governance Report
continued

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

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

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

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

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

The Group also maintains a Risk Register which sets out the nature and extent of the risks facing each division and the Group as a whole. Each of the risks are prioritised in terms of likelihood and impact. The purpose of the Risk Register is to ensure that all significant risks within each business unit have been appropriately identified and also to ensure that all risk is mitigated or managed as appropriate. It is understood that regular and detailed assessment is critical due to the volatile and uncertain economic environment. Further detail on risk and risk management is set out on pages 24 to 29 and in Note 21 to the Group Financial Statements.

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

Report on Directors' Remuneration

On behalf of the Remuneration Committee (the 'Committee') and the Board, I am pleased to present my first Report on Directors' Remuneration, having been appointed as Chair of the Committee in January 2017.

HEATHER ANN MCSHARRY
27 November 2017

LETTER FROM THE REMUNERATION COMMITTEE CHAIR

DEAR SHAREHOLDER,

Against the backdrop of a significant vote against two of our remuneration resolutions at the 2017 Annual General Meeting ('2017 AGM') and with a refreshed Committee, I have taken the opportunity to undertake a comprehensive review of our remuneration approach and framework.

The Committee and I have consulted and considered carefully the input from our shareholders and have sought to respond by updating the principles which will guide our remuneration decisions and incorporate a number of changes to the implementation of our remuneration Policy ('2017 Policy' or 'Policy') for FY18. Our Policy was developed to ensure a clear link between the delivery of our strategy and pay outcomes. From our discussions with shareholders we recognise the need to provide more information to show how our strategic priorities are reflected in our performance targets and consistent with actual payout levels. Throughout this report we have sought to provide more information on how our Committee decisions reflect the strategic goals and direction of the business.

The Committee and I have worked hard to ensure that our remuneration disclosures are clear and relevant to shareholders. In doing so, we examined the results of the 2017 AGM, tested our approach to remuneration and undertook an invaluable engagement exercise with shareholders. We are committed to ensuring that we are transparent about how pay and performance is reported at Greencore and how decisions made by the Committee continue to support the strategic direction of the business.

RESULTS OF THE 2017 AGM

At the 2017 AGM, shareholders endorsed the Annual Report on Remuneration with 98% votes cast in favour. In addition to our Annual Report on Remuneration, we proposed the new 2017 Policy to replace the previously approved 2015 Policy. The 2017 Policy increased the maximum award level under the Performance Share Plan ('PSP') from 100% to 200% of salary and 150% of salary for the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO') respectively and introduced for the first time an additional two year holding period for awards, after a three year performance and vesting period, under the PSP. While 59.9% of shareholders supported the introduction of the 2017 Policy, 40.1% voted against. The amended PSP Rules incorporating these changes received 60.7% approval. The scale of votes against the resolutions was disappointing for the Committee as we had engaged with our major shareholders prior to the finalisation of the 2017 Policy proposal in September 2016 and had received broad support for the changes outlined.

We have had very strong and consistent support for our remuneration approach before the 2017 AGM vote so the Committee and the Board immediately instigated a full analysis of the vote and feedback received, and committed to consult with our shareholders and proxy advisors to understand why a significant minority felt they could not support the 2017 Policy. Following our review of feedback and having discussed this with a large number of shareholders during our consultation the primary reason outlined was the scale of the increase in the PSP opportunity with no detailed rationale to show that there was a commensurate increase in targets. We did not make it clear that the stretch to achieve this potentially bigger pay out was increasing significantly. The increased scale of the business and overall competitiveness of our pay levels in comparison to relevant external market data were important considerations in our proposed Policy change and considered necessary to motivate, retain and appropriately reward our executive management to execute our strategy in an increasingly competitive market for top talent.

To ensure there remained appropriate stretch in the target metrics relating to the increased PSP opportunity, the Committee reviewed the strategic plans and determined there should be no change to the targets proposed for the awards granted in February 2017. This represents considerable stretch over and above previous target levels given the significant step up in capital invested in FY16 (including seven new manufacturing facilities commissioned, built or acquired during the year) and reflecting the normal timescale for new facilities to ramp up to full capacity which means a time lag before anticipated growth and returns are fully delivered.

Report on Directors' Remuneration
continued

LETTER FROM THE REMUNERATION COMMITTEE CHAIR CONTINUED

RESULTS OF THE 2017 AGM CONTINUED

The overall level of 200% of salary remains in line with FTSE 250 companies. Additional issues raised by shareholders were the overlap of performance measures in both long and short term incentives, the lack of some best practice features including malus and clawback in our Policy and the desire for more transparency on personal bonus targets.

It is clear from the 2017 AGM vote and our consultations that the disclosure in our FY16 Annual Report did not provide sufficient detail or rationale to all of our shareholders on the strategic and operational context for the change proposed in the 2017 Policy. An additional challenge was the significant number of new Greencore shareholders following the rights issue in December 2016 which resulted in considerable churn in the shareholder base before the 2017 AGM vote. After the 2017 AGM it became clear that there were varying levels of understanding of the strategic context influencing our proposals amongst some new shareholders.

During our consultation with shareholders, and throughout this report, we have sought to explain the background to the Policy changes in more detail. Following a period of sustained and substantial growth, the Committee continues to believe that the PSP opportunity is at an appropriate level to incentivise future long-term performance for the Company in line with our vision to be a fast-growing international convenience food leader.

We also explained that our 2017 Policy proposal introduced for the first time a holding period of two further years post vesting for all PSP awards. This extends our long-term incentive time horizon to five years which provides greater alignment with the long term interests of our shareholders and with our long-term strategy.

REVIEW OF REMUNERATION PRINCIPLES AND PROPOSALS FOR FY18 EXECUTIVE REMUNERATION

During our review of the remuneration arrangements, the Committee revisited our remuneration principles. The Committee sought to identify the most appropriate principles for the business, taking into account its underlying values set out in The Greencore Way, specifically People at the Core and the interests of stakeholders. Going forward, the Committee will seek to ensure that our remuneration framework remains aligned with the following overarching principles:

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

Full details of how we intend to operate these in practice are outlined on page 69.

Following a review of Greencore's approach to remuneration and taking into account the feedback from shareholders, the Committee is proposing a number of changes for FY18 executive remuneration, which I detail below.

Proposed changes to FY18 remuneration were:

- the introduction of Total Shareholder Return ('TSR') as an additional measure for our long-term PSP awards, which will further augment alignment with shareholders and diversify the metrics used under the PSP;
- the extension of the malus provisions to cover short-term bonus as well as long-term PSP, which will strengthen the ability of the Company to withhold or forfeit remuneration in certain circumstances;
- increasing the shareholding guideline to 2x salary for the CFO which will strengthen the alignment between his interests and those of shareholders, and brings them in line with market practice and guidelines for the CEO; and
- a reduction in the Return on Invested Capital ('ROIC') target to take into account the intensive capital investment program and Peacock Foods acquisition. The new target ranges reflect the medium term downward impact on ROIC as a result of the considerable increase in our invested capital.

SHAREHOLDER ENGAGEMENT ON FY18 PROPOSALS

The Committee contacted shareholders who hold circa 55% of our issued share capital as well as the Investment Association, ISS and Glass Lewis with an outline of our proposed changes and requested a meeting to obtain their feedback and input. During this process we received feedback from shareholders representing circa 36% of our issued share capital, and the proxy agencies, from which we received very valuable input. The Board Chairman and I carried out direct consultations which included a presentation on the current Group strategy so the context of our performance measures and metrics was fully explained. Shareholders were broadly supportive of our overall remuneration Policy and approach and how it links with our current strategic priorities.

Our engagement provided some wide ranging views on remuneration in general and specifically in relation to the Group (with some divergent views between our US and UK shareholders) as detailed below on page 81. The Committee will keep all of these views under consideration.

Overall, our key proposals to apply to FY18 executive remuneration were viewed positively. Following the feedback from the consultations, the Committee re-examined recovery provisions. In addition to the extension of the malus provision, the Committee also agreed to introduce clawback on all future bonuses and PSP awards.

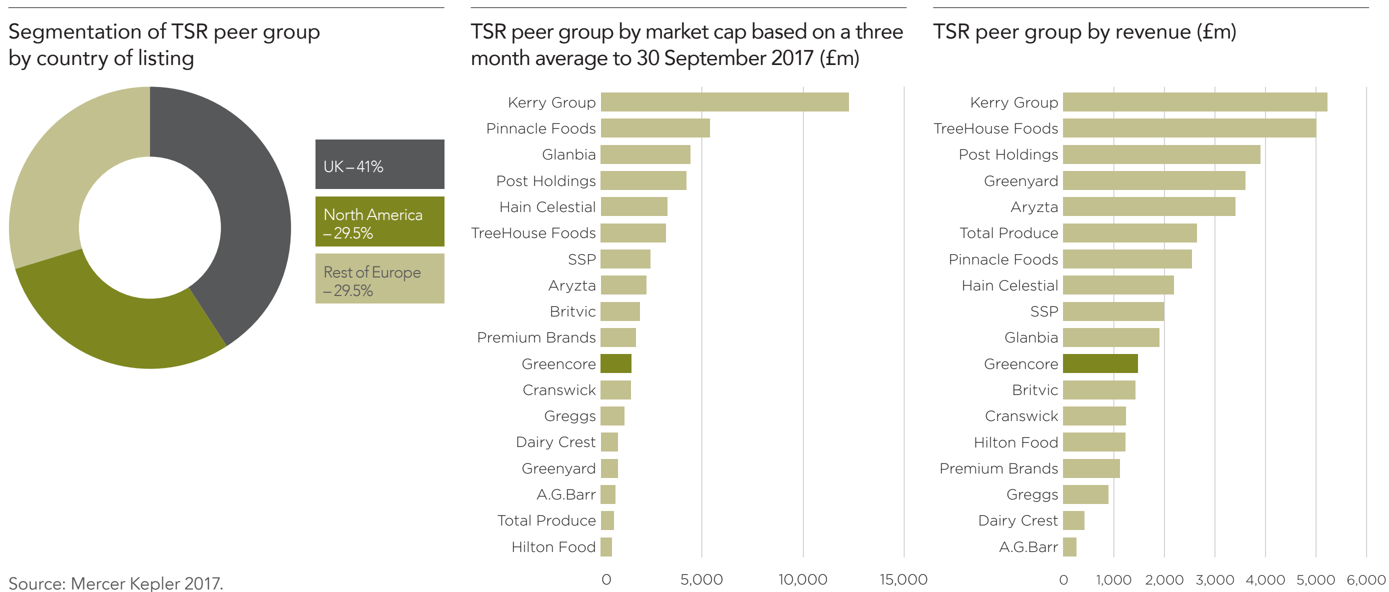
Throughout the consultation much of our discussions related to the introduction of TSR and the change in performance targets.

TSR PEER GROUP

In electing to include a TSR component under the PSP, the Committee was conscious of the requirement to determine appropriate peers to compare our TSR performance against. After careful consideration, the Committee has determined that 17 listed companies will comprise the peer group under the TSR measure for FY18 awards, as set out below.

A.G. Barr plc	Dairy Crest Group plc	Hain Celestial Group	Post Holdings, Inc.
ARYZTA AG	Glanbia plc	Hilton Food Group plc	Premium Brands Holdings Corporation
Britvic plc	Greenyard Holdings	Kerry Group	SSP Group plc
Cranswick plc	Greggs plc	Pinnacle Foods, Inc.	Total Produce plc
			TreeHouse Foods

The peer companies are representative of the sector we operate in and, most significantly, are companies who face similar business challenges. It includes a majority of UK companies together with other European peers. We have also included five US peers. While the Committee was aware of concerns from some stakeholders on the inclusion of companies domiciled in a different location, we now have a substantial US business with approximately 40% of our revenue stream deriving from the US market.



Source: Mercer Kepler 2017.

PERFORMANCE TARGETS

A central aspect of our consultation with shareholders was the target range for the ROIC measure under the PSP. In December 2016, we completed the acquisition of Peacock Foods for $747.5m, which included a significant rights issue. In addition to the changes to the remuneration framework outlined, the Committee spent significant time determining what impact the Peacock Foods acquisition would have on our remuneration arrangements and, particularly, the targets under our incentive schemes. The Committee has sought to ensure that the targets in place are suitably stretching while reflecting the future expected performance of our enlarged business. After careful consideration, Adjusted Earnings per Share ('EPS') targets for the PSP awards to be granted in December 2017 will remain unchanged (at 5% p.a. at threshold and 15% p.a. for maximum vesting). However, for the third of the award based on ROIC performance, the targets have been reduced to 10% at threshold and 13% for maximum vesting.

As discussed previously, the invested capital of the business has expanded considerably in both FY16 (11%) and FY17 (31%). The target ranges reflect the medium term downward impact on ROIC as a result of the considerable increase in our invested capital. This logic and the detailed analysis behind it was discussed in many of the meetings with our shareholders, who recognised the need to adjust the targets as a result of the disconnect between the level of capital being invested by the business and the delay in the increased returns that this investment will generate over time in line with our long-term strategy.

Based on the increase in issued share capital during FY17, the Committee is satisfied that the target range under the EPS measure is at least as difficult to achieve as under previous awards.

The Committee is fully aware of the sensitivities around the lowering of performance targets among shareholders and proxy advisors. In determining the revisions to the targets, the Committee carefully weighed shareholder feedback, consensus forecasts and internal modelling of expected performance, as detailed on page 89.

As part of our updated strategic planning post the integration of Peacock Foods, we completed an extensive review of the short and medium term plans with management to consider the alignment of the incentive structure with the strategic goals of the business.

Report on Directors' Remuneration
continued

LETTER FROM THE REMUNERATION COMMITTEE CHAIR CONTINUED

PERFORMANCE TARGETS CONTINUED

From that exercise, we continue to believe that EPS and ROIC remain the key metrics for our business and long-term strategy. The combination of EPS, reflecting our growth objective, and ROIC, promoting capital discipline and a focus on returns, is consistent with our strategy to deliver sustainable growth in value for our shareholders.

Subsequent to the detailed review and shareholder feedback, the Committee believes that the FY18 targets are at least as challenging as the range that previously applied. For maximum vesting levels, truly exceptional performance under each of the financial measures is required.

I want to thank our shareholders for the time they have committed to consider and discuss our approach and especially for their valuable input so we can better align our remuneration approach and our key proposals for FY18 with their interests.

PERFORMANCE AND REMUNERATION OUTCOMES FOR FY17

While much progress was achieved in FY17 with the completion of an intense operational and network expansion in the UK, and the transformational acquisition of Peacock Foods in the US, our financial performance in the year has been challenging and we have not met our financial targets.

Although Adjusted Operating Profit was strong at £140.1m, the Group did incur a high level of exceptional charges in the year, which amounted to £78.2m. It is against this backdrop that the incentive payout for our Executive Directors has been determined.

The annual bonus was based on delivery of financial performance targets (75%) and strategic and personal objectives (25%). The Committee took the view that no award should be made for the delivery of financial performance. Although inclusion of Peacock Foods results could have merited a modest payout, the Committee determined that because of the high level of exceptionals and taking the total returns for shareholders in FY17 into account, that no bonus was justified for financial delivery. The Committee reviewed the strategic and personal targets for both Patrick Coveney and Eoin Tonge (further details of the targets which they were measured against are outlined on page 84). The level of strategic progress and the specific individual contributions by both Patrick Coveney and Eoin Tonge in navigating through the challenges were evaluated. The Committee took a holistic review of their performance during the year and determined that both individuals merited a bonus payout of 22% out of 25%. Given the business context for FY17, 100% of bonuses earned would be deferred in shares for three years for additional shareholder alignment. Therefore no cash bonus is payable in respect of FY17.

In respect of the PSP award granted to Patrick Coveney in December 2014, the underlying EPS growth of 5.2% and together with underlying FY17 ROIC of 12.6% (excluding the impact of Peacock Foods) resulted in a payout of 35% of his award which will vest in December 2017.

During the year, Patrick Coveney and Eoin Tonge received PSP awards of 200% and 150% of salary, respectively. Vesting is based on EPS and ROIC performance measured over the three years to FY19, weighted 50/50. In line with our new Policy, a two-year post-vesting holding period will apply to the FY17 and future PSP awards for Executive Directors.

The Committee reviewed salaries in November 2017 and determined that the salary of Patrick Coveney and Eoin Tonge would be increased by 2.5% to €823,728 and £410,000 respectively from 1 October 2017. This increase in salary for the Executive Directors is consistent with the increases for the wider employee base in the Group.

NON-EXECUTIVE DIRECTORS

Following a review of Non-Executive Director fees, which were last reviewed in January 2014, the basic fee for Non-Executive Directors was increased from €60,000 to €78,000 per annum for FY17. In addition, the fee for the Non-Executive Chairman was increased from €189,000 to €247,000 and the fee for the Chair of the Nomination Committee fee was increased from €5,000 to €10,000. The increase in remuneration levels for the Non-Executive members of the Board reflects the time commitment and responsibilities for the respective roles and duties undertaken by each member; and, the increase takes into account practice of other companies of a similar size and complexity.

REMUNERATION IN FY18

We will continue to critically assess our disclosure practices to ensure our approach to remuneration is effectively communicated to all stakeholders. We have provided a greater level of disclosure of the personal objectives and will continue to ensure that all decisions on remuneration and the role the remuneration framework plays in promoting the delivery of strategy are transparently communicated to shareholders.

Finally I would like to thank my fellow members of the Committee for their full commitment and engagement in what has been an intensive year for the business. FY18 will be a critical year for the Group as we continue to integrate the Peacock Foods business. I remain dedicated to overseeing the implementation of a remuneration Policy that works for our business and delivers results for our stakeholders. Over the coming year, I intend to consult again with shareholders, which I know the Committee will find invaluable. I look forward to receiving your support at the 2018 AGM where I will be available to respond to any questions shareholders may have on this report or in relation to the Committee's activities.

On behalf of the Remuneration Committee

Heather-Ann McSharry

HEATHER ANN MCSHARRY
27 November 2017

REMUNERATION AT A GLANCE

This section is a snapshot of the Group's performance over the FY17 year and the remuneration received by our Executive Directors. Full details can be found in the Annual Report on Remuneration on pages 79 to 93.

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

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

It is in this context that remuneration outcomes for FY17 and implementation of the 2017 Policy for FY18 have been determined, as follows.

FY17 REMUNERATION OUTCOMES

ANNUAL BONUS

The annual bonus was based on a mix of financial (weighted 75% of the total) and personal/strategic (weighted 25% of the total) performance measures for FY17. The performance targets and actual underlying performance are set out below:

Measure	Weighting (% of bonus)	Performance targets		Actual underlying FY17 performance
		Target (50% payout)	Stretch (100% payout)	
Adjusted EPS[1]	50%	15.8p	17.4p	Below target
ROIC	25%	12.4%	13.7%	Between target and stretch
Total	75%			

1 Adjusted EPS targets have been restated to reflect the impact of the rights issue.

In coming to its decision the Committee considered a range of adjustments to the FY17 outturn, including the material impact of the Peacock Foods acquisition on financial performance for the year, which would have merited a level of financial payout, particularly around ROIC targets. However, the Committee took a view that in light of the significant levels of exceptional items this year and the Company's TSR performance, no bonus would be payable for Group financial performance.

The Committee determined that in terms of personal performance, both Patrick Coveney and Eoin Tonge receive a bonus of 22% out of 25%. Given the business context, the Committee determined that for FY17 100% (rather than 50%) of bonuses earned would be deferred in shares for three years, for additional shareholder alignment, subject to continued employment. Further detail of their performance is detailed on pages 83 to 85.

FY15 PSP AWARD

The Performance Share Plan ('PSP') values in respect of the FY17 single figure relate to awards granted in December 2014. Awards were subject to EPS and ROIC performance targets measured over the period FY14 to FY17. Target and actual underlying outturn are set out below:

Measure	Weighting (% of award)	Actual underlying outturn[1]	Vesting (% of award)
Adjusted EPS growth	50%	5.2% p.a.	13%
FY17 ROIC	50%	12.6%	22%
Total			35%

1 The impact of the Peacock Foods acquisition on financial performance has been excluded in the Committee's consideration of the Company's underlying performance, on the basis that the acquisition occurred towards the end of the three-year performance period and Peacock Foods was not a part of the Group for the majority of the performance period. However, the impact of the acquisition was taken into account in the Committee's holistic assessment of the vesting outcome.

Report on Directors' Remuneration
continued

REMUNERATION AT A GLANCE CONTINUED

FY17 REMUNERATION OUTCOMES CONTINUED

Therefore, 35% of the original award will vest to Patrick Coveney and Eoin Tonge in December 2017, subject to continued employment on the vesting date. Eoin Tonge's PSP award was made prior to his appointment to the Board and does not relate to his service as an Executive Director, and has been disclosed for information only.

IMPLEMENTATION OF THE REMUNERATION POLICY IN FY18

Element of pay	Implementation for FY18
Fixed remuneration	
Base salary	Salaries are reviewed annually, taking into account the Executive Director's role, experience and performance as well as the average increase for the broader workforce, and supported by market data. Salaries for FY18 are: Patrick Coveney €823,728 and Eoin Tonge £410,000 (2.5% increase for both, in line with the average increase awarded to the wider workforce).
Pension and benefits	Per the terms of his contract, Patrick Coveney receives a taxable non-pensionable cash allowance equivalent to 35% of his pensionable earnings in lieu of participation in a Defined Contribution Pension Scheme. Eoin Tonge participates in the Greencore UK Master Trust Pension Scheme which is a Defined Contribution Pension Scheme and receives a partial non-pensionable cash allowance equivalent to 25% of his pensionable earnings. No change proposed for FY18.
Pay for performance	
Safeguards and risk management	Effective from FY18, malus and clawback provisions will apply to the annual bonus and the PSP both prior to vesting and for a period of two years post-vesting. This enables the Company to withhold payment/vesting of any sums and/or recover sums paid on the occurrence of specific trigger events (e.g. a material misstatement of the Company's audited results, a material failure of risk management, a material breach of health and safety regulations, or serious reputational damage). The Company also operates a mandatory two-year holding period for vested PSP awards; vested awards may not be sold during the holding period except to cover tax liabilities.
Annual bonus and Deferred Bonus Plan ('DBP')	No change to maximum opportunity: 150% of salary. The performance measures and weightings also remain unchanged: 50% adjusted EPS, 25% ROIC and 25% personal/strategic objectives. 50% of bonus earned will be deferred in shares for three years under the DBP.
PSP	No change to award opportunities: 200% of salary for Patrick Coveney and 150% of salary for Eoin Tonge. The performance measures and weightings will be: 1/3rd EPS, 1/3rd ROIC and 1/3rd relative TSR vs. a bespoke peer group. PSP awards are subject to a three-year performance period and an additional two-year holding period.

Remuneration performance measures for FY18 and how these relate to our strategic objectives

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

Read more on Financial KPIs on **Pages 20 and 21**

Read more on Strategic Objectives on **Pages 13 to 17**

DIRECTORS' REMUNERATION POLICY REPORT

Our Directors' Remuneration Policy (the 'Policy') was approved by an advisory, non-binding shareholder vote at the 2017 AGM and took effect from the date of the AGM. This section presents the full Policy, for ease of reference.

The sections presented are as disclosed in the FY16 Directors' Remuneration Report, save the following changes:

- References to financial years have been updated where appropriate;
- Pay-for-performance scenario charts have been updated to reflect FY18 salaries;
- Wording in the Policy table has been updated to reflect our strengthened malus provisions and the introduction of clawback provisions, effective for awards made from FY18; and
- Wording in the Policy has been updated to reflect the addition of Total Shareholder Return ('TSR') as a third metric to PSP, effective for awards made from FY18.

REMUNERATION POLICY

The main aim of the Group's Policy is to align the interests of Executive Directors with the Group's strategic vision and the long-term creation of shareholder value. The 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 international companies of similar size and scope, the current economic climate and the regulatory and governance framework. 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 during FY17 as a framework to guide our remuneration decisions:

Remuneration principle	In action
Alignment and fairness	• Encouraging all employees to become shareholders; • Operating a PSP for senior employees; • Offering employee share plans; • Shareholding guidelines, bonus deferral and PSP holding period for Executive Directors; and • Shareholder value in sharp focus.
Pay-for-performance	• Commitment to ensuring targets are appropriately stretching and vesting levels are reflective of shareholder experience; • No variable remuneration for mediocre performance and the inclusion of an underpin for the new TSR measure; and • Ensuring personal objectives are accurately assessed and clearly communicated.
Transparency and simplicity	• Increased focus on effectively communicating decisions to shareholders through shareholder engagement and the Annual Report; and • Simple incentive structure based on the measures central to our strategy and business model.

Report on Directors' Remuneration
continued

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

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. Takes account of the role, skills and contribution of individuals.	Basic salaries are determined taking into account a number of factors, including: • individual responsibilities, performance and experience; • practice at other companies of a similar size and complexity; • the pay arrangements throughout the organisation; and • the Company's progress towards its objectives. 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.	Whilst there is no maximum salary, increases will normally be in line with the average increase awarded to other employees in the Group. However, the Committee retains the discretion to make increases above this level in certain circumstances, including, but not limited to: • 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.	None.
Pension	To provide post-retirement remuneration to ensure that the overall remuneration package is competitive.	The Chief Executive Officer receives a taxable non-pensionable cash allowance in lieu of participation in a Defined Contribution pension scheme. The Chief Financial Officer participates in part in the Greencore UK Master Trust Pension Scheme which is a Defined Contribution pension scheme and receives a partial non-pensionable cash allowance. The Chief Executive Officer participated in the Defined Benefit Pension Scheme until it was closed to future accrual in 2009. The Committee may determine that alternative pension provisions will operate for new appointments to the Board. When determining pension arrangements for new appointments, the Board will give regard to the cost of the arrangements, market practice and the pension arrangements received elsewhere in the Group.	The Company's maximum contribution/cash allowance for the Executive Directors is as follows: • CEO – 35% of pensionable salary; and • CFO – 25% of pensionable salary. The Chief Executive Officer is a deferred member of the Group's Defined Benefit Pension Scheme which closed to future accrual with effect from 31 December 2009. The value of the frozen scheme benefits for the Chief Executive Officer was £50,436 as at 29 September 2017.	None.

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Benefits	To provide market typical benefits to ensure that the overall remuneration package is competitive.	Executive Directors receive health insurance for the individual and his immediate family and a car allowance (or a company car and payment of related expenses). 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 (either on a one-off or an ongoing basis). Executive Directors may also be eligible to participate in any all-employee schemes operated by the Company up to the relevant approved scheme limits.	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.	None.

Report on Directors' Remuneration
continued

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED
EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE CONTINUED

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual Bonus Plan	To support the business strategy by incentivising the delivery of annual financial targets as well as the achievement of personal and strategic objectives. The deferred element aligns the interests of Executives and shareholders and provides a strong retention mechanism.	Performance is assessed over the relevant financial year. 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. A proportion (normally 50% unless the Committee determines otherwise) of any bonus is paid in cash, with the remainder deferred into a share award. Cash bonuses are paid following the year-end. *Deferred share element* The Deferred Share Awards 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 Share Awards will normally be subject to continued employment. The Committee has the discretion to reduce the number of Deferred Shares if, prior to vesting, the participant is in fundamental breach of their employment contract. Dividend equivalents may be awarded. Effective from FY18, the annual bonus will be 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 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.	The maximum annual bonus opportunity is 150% of salary. The award opportunity for bonus 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.	The bonus is determined based on performance against financial performance metrics and personal objectives. Currently, 75% of the award is based on financial targets (of which 50% is based on adjusted EPS and 25% is based on ROIC) and 25% is based on personal and strategic goals. The Committee may choose alternative performance measures or may adjust the weighting of measures in future years to ensure that Executive Directors are appropriately incentivised to deliver key strategic goals. In any year, the financial performance metrics will always account for the majority of the award. The Committee sets targets every year to ensure that they are appropriately stretching. For further details of metrics applicable for the financial year under review, please see pages 83 to 85.

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan ('PSP')	To create alignment between the interests of Executive Directors and shareholders through the delivery of rewards in Company shares. To incentivise Executive Directors to deliver long-term shareholder value creation and the achievement of financial targets.	Awards normally vest based on performance measured over a period of three years or such other period as the Committee may determine. Awards may be granted in the form of performance share awards (a conditional award of shares, a nil-cost option or a forfeitable share award). The Committee determines the extent to which the performance measures have been met. 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 there is a material difference. An additional two-year holding period will apply to Executive Directors' vested shares before they are released to participants. Dividend equivalents may be awarded. In the event of 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, the Committee may scale back, or impose additional conditions on awards prior to vesting. Effective from FY18, awards will also be subject to clawback provisions, i.e. recovery of vested awards, in exceptional circumstances such as the ones set out above.	The maximum award level is 200% of salary in respect of a financial year. For FY18 it is intended to grant awards of 200% and 150% to the CEO and CFO, respectively.	For FY18, awards will vest based on Earnings per Share, Return on Invested Capital and relative Total Shareholder Return ('TSR'). These measures will be equally weighted for FY18 awards, but the Committee may determine that an alternative weighting is appropriate for future awards. The Committee shall have the discretion to determine that alternative performance measures may apply to future awards. For threshold levels of performance, 25% of the award vests, increasing to 100% of the award for maximum performance. There is straight-line vesting of awards between these points. The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders, whilst remaining motivational for management.

The Company also operates a shareholding guideline for Executive Directors, details of which can be found on page 92 of the Annual Report on Remuneration.

Report on Directors' Remuneration
continued

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE CONTINUED

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 Policy where the terms of the payment were agreed either before the 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.

From 2001 to 2011, the Company granted market value share options under the Greencore Group Executive Share Option Scheme. As the Scheme expired in 2011, no further options will be granted under this scheme. At the time when this Policy came into force, all options under the Executive Share Option Scheme had vested and, subject to the individual's continued employment and the rules of the scheme, the outstanding options may be exercised until the ten-year anniversary of the date of the award.

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

Awards granted under the Deferred Bonus Plan ('DBP') 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 a 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.

The terms of the DBP and PSP may be amended in accordance with the relevant plan rules.

INFORMATION SUPPORTING THE POLICY TABLE

SELECTION OF PERFORMANCE MEASURES

The Annual Bonus Plan is based on financial performance, as well as personal and strategic goals. The financial element for FY18 will be based on Earnings per Share and Return on Invested Capital. The Committee has selected these measures to ensure continued focus on the key financial objectives for the year ahead. The achievement of key personal and strategic goals is also considered important to drive the performance of the business over the longer term.

The PSP is currently based on Earnings per Share, Return on Invested Capital 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 annual bonus and PSP under review and reserves the right to adjust these if they are no longer considered to be appropriate.

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.

Reward packages will differ taking into account location, seniority and level of responsibility, however, remuneration packages are structured around common reward objectives and principles.

In addition to the Executive Directors, individuals across the Group participate in the annual bonus plan, whilst senior executives participate in the PSP and DBP on the same principles as the Executive Directors.

In addition, eligible employees in Ireland and the UK 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 Chairman and Non-Executive Directors 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 necessary.

Details are set out in the table below:

Approach to setting fees	Basis of fees	Other items
• The fees of the Non-Executive Directors are agreed by the Board following recommendations by the Committee. • The fees for the Chairman are determined by the Committee. • Fees are normally reviewed every two years but may be reviewed more or less frequently if it is considered appropriate. • Fees 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.	• Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid for the role of 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 additional 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 normally paid in cash.	• Neither the Chairman nor any of the Non-Executive Directors are eligible to participate in any of the Group's incentive arrangements. • Non-Executive Directors do not currently receive any benefits. However, benefits may be provided in the future if, in the view of the Board (for Non-Executive Directors or the Committee for the Chairman), 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 to Non-Executive Directors. • The Company may settle any tax due on benefits or taxable expenses.

REMUNERATION POLICY FOR NEW HIRES

The Group is committed to ensuring appropriate succession plans are in place, specifically in respect of senior management and Executive Directors. 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 skills, experience and dedication required whilst ensuring that the interests of the Group and its shareholders are aligned, whilst being cognisant of not paying more than is necessary.
- The structure of the ongoing remuneration package would normally include the components set out in the Policy table for Executive Directors. However, the Committee has the discretion to include any other remuneration component or award as it considers appropriate, taking into account the specific commercial circumstances, subject to the limit on variable remuneration set out below. Where any additional element is included, the key terms and rationale for such component would be appropriately disclosed.
- 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 compensatory payments or awards 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 timeframe of forfeited opportunities. When determining such 'buy-out' arrangements, the Committee's intention would be that awards would generally be on a 'like for like' basis as those forfeited.
- The maximum level of variable remuneration which may be awarded (excluding any compensatory payments or awards referred to above) in respect of recruitment is 350% of salary, in line with our proposed revised Policy for existing Executive Directors.
- 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 (either via one-off or ongoing payments or benefits).
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions will normally be honoured, including pension entitlements and any outstanding incentive awards.
- To facilitate any buy-out awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards, to facilitate in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.

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' Policy table above.

Report on Directors' Remuneration
continued

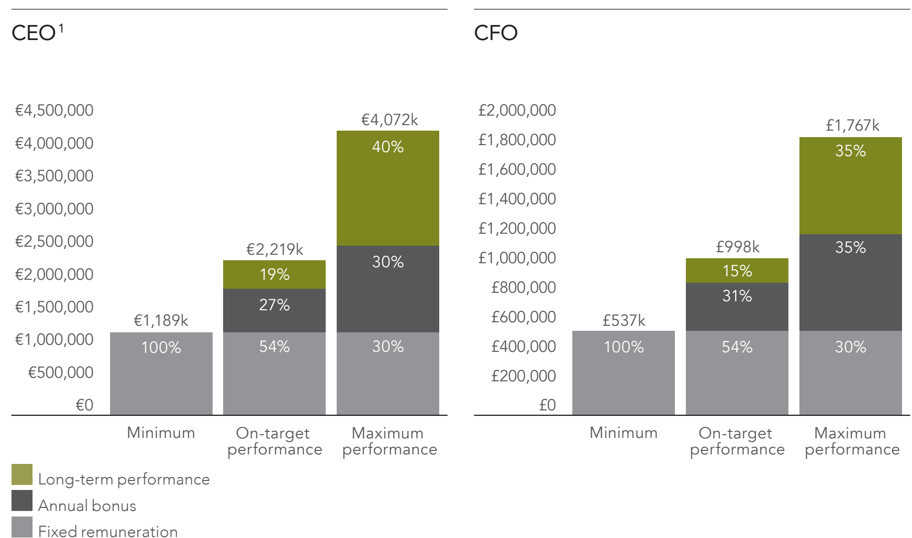
DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

REMUNERATION OPPORTUNITIES IN DIFFERENT PERFORMANCE SCENARIOS

The Committee believes that the current remuneration arrangements provide an appropriate balance between fixed and variable pay linked to short and long-term strategic objectives.

The charts below illustrate the current value and composition of the Executive Directors' remuneration opportunity in minimum, 'in line with the Company's expectations', and maximum performance scenarios.

Minimum	Salary, pension and benefits ('fixed remuneration') No bonus payout No vesting under the PSP
On-target performance	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	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)



1 This scenario chart for the CEO is based on an exchange rate of €1:£0.8705 which was the average exchange rate for FY17.

Fixed remuneration for FY18:

	Salary with effect from 1 October 2017 (€/£000)	Benefits – actual paid in the year ending 29 September 2017 (€/£000)	Pension with effect from 30 September 2017 (€/£000)	Total fixed pay (€/£000)
CEO (Patrick Coveney)	€824	€57	€308	€1,189
CFO (Eoin Tonge)	£410	£24	£103	£537

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND POLICY ON PAYMENTS TO 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.

Notice period	Executive Directors have service contracts with the Company which can be terminated on 11 months' notice by the Company and on three months' notice by the individual. Patrick Coveney's current contract was entered into on 31 March 2008 and Eoin Tonge's current contract was entered into on 3 October 2016.
Payment in lieu of notice	Salary and other emoluments in lieu of notice.
Annual bonus	The Committee may determine that an Executive Director remains eligible to receive a bonus for the financial year in respect of which he ceased to be a Director. The Committee will determine the level of bonus taking into account performance. Any unvested Deferred Share Awards will vest in full or to such lesser extent as is determined by the Committee if the individual dies or ceases employment as a result of ill-health, injury, disability, redundancy, retirement, the sale or transfer of his employing entity out of the Group or if the Committee determines exceptional circumstances exist that warrant such treatment. If the employee leaves in other circumstances, his or her unvested Deferred Share Awards lapse.
PSP	If a participant dies his PSP award will vest 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. If the participant ceases to be an officer or employee of the Group as a result of his ill-health, injury, disability, redundancy, retirement or the sale of his employing entity out of the Group, or for any other reason at the Committee's discretion, his award 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. If a Director leaves in other circumstances, his or her awards lapse.

The Executive Directors' contracts are available for shareholders to view at the AGM and also from the Company Secretary upon request.

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.

If the Company undergoes a change of control, PSP awards vest to the extent determined by the Committee. 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 met and, unless the Committee determines otherwise, the period of time between grant and the relevant event. Alternatively, the Committee may require that PSP awards are rolled over for equivalent awards in a different company.

Deferred Share Awards will vest in full in the event of a change of control or winding up of the Company.

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 Deferred Share 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 Provision B.7.1. of the UK Corporate Governance Code (the 'Code'), each Director retires at each subsequent AGM and offers him or herself for re-election as appropriate.

Report on Directors' Remuneration
continued

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

NON-EXECUTIVE DIRECTOR LETTERS OF APPOINTMENT CONTINUED

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]
PG Kennedy	20 November 2008	30 January 2018
SG Bailey	17 May 2013	30 January 2018
HA McSharry	30 January 2013	30 January 2018
JJ Moloney	8 February 2013	30 January 2018
EL Nicoli	14 May 2010	14 December 2017[2]
KF O'Malley	14 March 2017	30 January 2018
TH Sampson	1 February 2017	30 January 2018
JA Warren	30 January 2013	30 January 2018

1 In line with the Company's Articles of Association and the 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.
2 Mr EL Nicoli will retire as Non-Executive Director after the Board meeting on 14 December 2017.

CONSIDERATION OF WIDER EMPLOYEE VIEWS

The Committee generally considers pay and employment conditions elsewhere in the Group when determining pay for Executive Directors.

When assessing any increases to base salary, the Committee reviews overall levels of base pay increases offered to other employees in the Group.

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 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.

ANNUAL REPORT ON REMUNERATION

The following section sets out our Annual Report on Remuneration, which outlines decisions made by the Committee in relation to Directors' remuneration in respect of FY17 and how the Committee intends to apply the remuneration Policy for FY18. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM to be held on 30 January 2018. Where information has been audited by KPMG, this has been stated. All other information in this report is unaudited.

ROLE AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

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

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

MEMBERS

The Committee currently comprises the following Non-Executive Directors:

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

Mr EL Nicoli stepped down from the Committee on 31 January 2017. The biographical details for each of the Committee members are set out on pages 50 and 51.

The Group Company Secretary acts as Secretary to the Committee. The Chief Executive Officer and the Chief Financial Officer attend meetings on an ad-hoc basis at the invitation of the Committee and provide information and support as requested. However, neither Executive Director is present when his own remuneration is being discussed.

ADVISORS

The Committee reviewed its advisors during FY16, and following a robust selection process, appointed Mercer Kepler, on 1 September 2016. Mercer Kepler attends Committee meetings on an ad-hoc basis and provides advice on remuneration for executives, benchmarking analysis, and updates on market developments and best practice. Mercer Kepler is a founding member of the Remuneration Consultants Group and adheres to its code of conduct. The wider Mercer Group additionally provided the Group with pension actuarial services during FY17.

The Committee is 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 £68,805.

KEY ACTIVITIES DURING THE YEAR

During FY17, the Committee held three scheduled meetings. Details of the attendances at these meetings are set out on page 59. The Committee held eight additional meetings to cover the significant amount of work undertaken by the Committee during the year. The key activities and matters discussed at these meetings included:

- Review and approval of the FY16 Report on Directors' Remuneration;
- Review of changes to legislative, regulatory and corporate governance environment, and consideration of trends in executive remuneration;
- Review of the remuneration structure;
- Review and approval of performance and payout in respect of FY16 annual bonus and FY14 PSP awards;
- Shareholder engagement, both prior to and following the 2017 AGM;
- Review of feedback received after the 2017 AGM and consideration of the Committee's response;
- Approval of opportunities/award levels and performance targets for FY17 annual bonus and PSP awards;
- Approval of award levels and performance targets, including TSR peer group, for FY18 PSP awards;
- Review of the Non-Executive Board Chairman fee;
- Irish and UK Share Save Scheme;
- Review of the Committee's Terms of Reference;
- Review of approach to remuneration and design of key principles; and
- Review of Committee effectiveness.

In discussing the above matters, the Committee considered the remuneration policies throughout the Group.

Report on Directors' Remuneration
continued

ANNUAL REPORT ON REMUNERATION CONTINUED

SHAREHOLDER VOTING

At the 2017 AGM, the FY16 Annual Report on Remuneration received 98.0% support from shareholders, whilst the new remuneration Policy received 59.9% support. Furthermore, the amendments to the Group's PSP Rules received 60.7% votes in favour.

The table below shows the voting outcomes of the resolutions proposed at the 2017 AGM in relation to remuneration.

	For	Against	Total votes	Votes withheld
FY16 Annual Report on Remuneration	98.0%	2.0%	455,988,640	14,096
Remuneration Policy	59.9%	40.1%	446,480,145	7,914
Amendments to the 2013 Performance Share Plan Rules	60.7%	39.3%	455,987,440	36,584

After the 2017 AGM, the Committee reviewed the voting outcome to determine our shareholders' key concerns, and how it would address them.

Shareholder engagement during FY17			
Prior to the 2017 AGM	Post 2017 AGM	August 2017 – October 2017	Overall engagement process
Before proposing the changes to the Policy in FY16 and in the lead up to the 2017 AGM, we focused on communicating the rationale for the increase in award levels under the PSP. Shareholders at that time were supportive of the change.	Feedback was captured from shareholders who registered a negative vote against the increase in award levels under the PSP. Shareholders also registered concerns about certain other aspects of our approach to remuneration, including: • the use of ROIC and EPS under both the short-term and long-term incentive arrangements; • the absence of recovery provision under the annual bonus plan; • the quality of disclosure around the personal targets under the annual bonus plan; and, • the level of shareholding guidelines for the CFO.	The Committee then conducted a round of shareholder consultation in 2017. The purpose of these engagement meetings was to further develop the Board's understanding of shareholder views on our approach to remuneration, to discuss the steps taken by the Committee to address the concerns of shareholders and consult on the proposed changes to the approach to remuneration for FY18.	These engagements were incredibly helpful to understand our shareholders' points of view. The conversations helped the Committee to finalise the alterations we have made to the remuneration arrangements.

Shareholders' reasons for opposing the Policy primarily related to the increased award opportunity under the PSP, and the FY17 targets. The Committee consulted shareholders on this change in September 2016, receiving broad support at that time. However, the composition of our shareholder base changed significantly following the rights issue in December 2016, shortly before the 2017 AGM, and the level of support received at the 2017 AGM was impacted by this shift.

The Committee continues to believe that the revisions to Policy are appropriate and fair, and ultimately in the best interest of shareholders. Further explanations of the changes are set out in the Chair's Letter on pages 63 to 66. During the year, the Committee undertook a consultation and made a number of changes aligned with best practice to remuneration for FY18 and future years, in response to feedback. Clawback has been introduced on incentive cycles for FY18 onwards, and malus provisions have been extended to apply to deferred bonus awards as well as the PSP. We have also strengthened our shareholding guidelines to 2x salary for all Executive Directors and diversified the performance measures under the PSP.

Change	Shareholder consultation
Performance measures	Shareholders were generally supportive of the addition of a TSR measure. In response to feedback on TSR, the Committee will also have a discretionary underpin. That underpin will take into account overall business performance, and will include an assessment of cash flow performance and shareholder experience over the performance period. A number of shareholders were particularly interested in the construction of the proposed peer group to confirm their relevance as a comparator for relative TSR performance. After considering feedback from shareholders and proxy advisors, we engaged with shareholders again to communicate the finalised peer group. The peer group is disclosed on pages 65 and 89. Separately, certain shareholders sought confirmation of the merits of ROIC and EPS as the key performance measures for the business and enquired about including cash flow metrics under the incentive arrangements. As detailed in the Strategic Report (pages 20 and 21), ROIC and EPS are the key measures for our business model and strategic development; we include an evaluation of cash flow performance in the personal/ strategic element of the annual bonus plan.
Recovery provisions	Shareholders considered the extension of malus provisions to be a positive step. Certain shareholders queried why the revised recovery provisions did not include clawback on the cash element of bonuses. Subsequent to the consultation and following further legal clarification, the Committee introduced clawback to the annual bonus and long-term awards.
Shareholding guideline	The vast majority of shareholders supported the increased shareholding guideline. A small number of shareholders queried whether those guidelines will apply after the departure of an executive. Currently, there is no expectation or requirement for executives to hold shares after their departure. In line with evolving best-practice, the Committee will keep under review the size and extent of the shareholding guidelines.

The Committee is committed to meaningful engagement with our shareholders as part of our approach to strong governance, and continues to welcome comments from shareholders.

Report on Directors' Remuneration
continued

ANNUAL REPORT ON REMUNERATION CONTINUED

SINGLE FIGURE OF TOTAL REMUNERATION (AUDITED)

The following table sets out the single figure of total remuneration for Directors in FY17 and FY16.

NB: The exchange rates used for the conversion of salary from euro to sterling for FY17 and FY16 were €1:£0.8705 and €1:£0.7743, respectively, which were the average exchange rates for the two respective years.

				Annual bonus[1] (£000)				
		Salary/fee (£000)	Benefits (£000)	Cash	Deferred Share Award	Long-Term Incentive (£000)	Pension (£000)	Total remuneration (£000)
Executive Directors								
Patrick Coveney	FY17	699	50	0	230	200[2]	262	1,441
	FY16	610	44	380	380	782[3]	228	2,424
Eoin Tonge[4]	FY17	400	24	0	132	91[2]	100	747
Alan Williams[5]	FY17	2	–	–	–	–	–	2
	FY16	438	31	259	0	520[3]	109	1,357
Non-Executive Directors								
Gary Kennedy	FY17	282	–	–	–	–	–	282
	FY16	189	–	–	–	–	–	189
Sly Bailey	FY17	67	–	–	–	–	–	67
	FY16	52	–	–	–	–	–	52
Heather Ann McSharry	FY17	74	–	–	–	–	–	74
	FY16	46	–	–	–	–	–	46
John Moloney	FY17	76	–	–	–	–	–	76
	FY16	50	–	–	–	–	–	50
Eric Nicoli	FY17	82	–	–	–	–	–	82
	FY16	66	–	–	–	–	–	66
Kevin O'Malley[6]	FY17	37	–	–	–	–	–	37
	FY16	n/a	–	–	–	–	–	n/a
Tom Sampson[7]	FY17	45	–	–	–	–	–	45
	FY16	n/a	–	–	–	–	–	n/a
John Warren	FY17	82	–	–	–	–	–	82
	FY16	66	–	–	–	–	–	66

1 For FY17, 100% of the bonus is payable as a Deferred Share Award. For FY16, half of the annual bonus is payable as a cash award and half as a Deferred Share Award, with the exception of Alan Williams whose Deferred Share Award was forfeited in view of his resignation.
2 FY17 values: FY15 PSP awards will partially vest on 2 December 2017, based on performance to 29 September 2017 and subject to continued employment on the vesting date. The awards are valued using the average share price over the three-month period to 29 September 2017 of £2.1485, as the share price on vesting is not yet known.
3 FY16 values: FY14 PSP awards partially vested on 2 December 2016. The award values have been revised from last year's report to reflect the actual share price on vesting of £2.8298 and the payment of dividend equivalents.
4 Eoin Tonge was appointed as Chief Financial Officer and Director of Greencore on 3 October 2016. His FY17 salary, pension, benefits and bonus relate to the period 3 October 2016 to 29 September 2017. His PSP value relates to an award made to him prior to his appointment on the Board, and is disclosed for information only. As Eoin Tonge was not a Director in FY16 his single figure of total remuneration for FY16 is not included in the table above.
5 Alan Williams stepped down as Chief Financial Officer and Director of Greencore on 3 October 2016. His FY17 remuneration relates to the period 1 October to 3 October 2016. His remuneration is discussed in further detail on page 87.
6 Kevin O'Malley was appointed to the Board on 14 March 2017. His FY17 remuneration relates to the period 14 March to 29 September 2017.
7 Tom Sampson was appointed to the Board on 1 February 2017. His FY17 remuneration relates to the period 1 February to 29 September 2017. Tom was paid an additional fee of £98,413 for extra responsibilities undertaken throughout the year in relation to his role on the Group US Advisory Council.

NOTES TO THE TABLE (AUDITED)

BASE SALARY

The Committee reviewed Executive Directors' salaries in FY17 and awarded an increase of 2% for the year to Patrick Coveney. Therefore Patrick's salary for FY17, effective from 1 October 2016, was €803,637. Eoin Tonge was appointed on 3 October 2016 on a salary of £400,000. Alan Williams did not receive a salary increase in FY17 as he had resigned.

ANNUAL BONUS

The maximum bonus opportunity for FY17 was 150% of salary for both Executive Directors. Performance against targets for annual bonus payment is subject to personal and strategic objectives (25% of total) as well as the achievement of demanding short-term financial targets (making up 75% of the total potential bonus). The bonus was based 75% on financial measures (EPS and ROIC), and 25% on personal performance against strategic goals. The annual bonus measures reflect the Committee's aim of providing an appropriate balance between incentivising the achievement of key financial targets and specific strategic and operational objectives. Performance targets and actual outturn for the financial element are provided in the table below.

Measure	Weighting (% of bonus)	Performance targets Target (50% payout)	Performance targets Stretch (100% payout)	Actual underlying FY17 performance
Adjusted EPS[1]	50%	15.8p	17.4p	Below target
ROIC	25%	12.4%	13.7%	Between target and stretch
Total	75%			

1 Adjusted EPS targets have been restated to reflect the impact of the rights issue.

In coming to its decision the Committee considered a range of adjustments to the FY17 outturn, including the material impact of the Peacock Foods acquisition on financial performance for the year, which would have merited a level of financial payout, particularly around ROIC targets. However, the Committee took a view that in light of the significant levels of exceptional items this year and the Company's TSR performance, no bonus would be payable for Group financial performance.

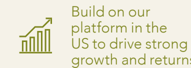
Although trading performance was below expectations, and resulted in no payouts under the EPS and ROIC measures, significant progress was made in respect of challenging strategic and personal objectives.

The strategic and personal objectives are set out on page 84 and include a significant focus on the Executive Directors' role in promoting strong relations with our key stakeholders and embedding and evolving our corporate culture. The Committee also acknowledged the significant work undertaken by the Executive Directors throughout the year in respect of the delivery and integration of Peacock Foods. In reaching the payout outcome for FY17, the Committee also took into account that the calculation of EPS and ROIC had excluded any contribution relating to Peacock Foods.

In terms of personal performance, both Patrick Coveney and Eoin Tonge have had a strong year, delivering considerable progress against key strategic objectives for the Group. In this context, the Committee decided that both Patrick Coveney and Eoin Tonge should receive 22% out of 25% of the total personal element of their respective bonuses. However, given the overall business context, the Committee determined that for FY17, notwithstanding the Company's bonus deferral policy, 100% (rather than 50%) of bonuses earned would be deferred in shares for three years, subject to continued employment, for additional shareholder alignment.

Report on Directors' Remuneration continued

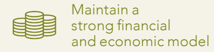
STRATEGIC OBJECTIVES


Build on our platform in the US to drive strong growth and returns

Enhance our leadership position in UK convenience food, especially in food to go

Develop enduring customer partnerships

Invest in people, infrastructure and capability


Maintain a strong financial and economic model

ANNUAL REPORT ON REMUNERATION CONTINUED

NOTES TO THE TABLE (AUDITED) CONTINUED

ANNUAL BONUS CONTINUED

	Strategic and personal objectives	Performance assessment	Link to Group strategic objectives
Patrick Coveney	Delivery of Peacock Foods acquisition	In line with the strategic vision for the Group, Patrick successfully delivered the acquisition and integration of Peacock Foods in the US, the largest acquisition ever by Greencore. He led the process from the identification of Peacock Foods as a potential target through the negotiations, fundraising and deal completion. Since the acquisition, the new business has been fully integrated and is performing well.	
	Business and customer development	Building and maintaining excellent relationships with our customers is central to our ability to create sustainable value. In FY17, Patrick played a pivotal role in delivering extensions to a number of contracts with our leading core customers. As a result, the business now has multi-year contracts with our longest and most important customers in both the US and the UK.	
	Embedding The Greencore Way	The Greencore Way was developed to ensure our values would become a strong driving force for overall Greencore performance. During FY17 Patrick dedicated significant time to focus on two of the key features of The Greencore Way; Cost Efficiency and overall Business Effectiveness. The outcome of the major review is a restructure and reorganisation of the UK business which is being fully implemented in 2018. Led by Patrick, the strength of our culture continues to grow and the Committee also took particular account of strong growth in our employee engagement survey and key health and safety measurements being met.	
	Talent leadership	Succession planning is a key element of long-term planning and risk mitigation, particularly as our business continues to grow. Following the appointment of Eoin Tonge as CFO and Peter Haden as COO during FY17 from the existing management teams, Patrick has continued to drive the talent development process to build a pipeline of future leadership succession candidates.	

The Committee reviewed the annual bonus outcome in late 2017 and concluded that Patrick Coveney contributed significantly to the Company's performance with strong progress against the objectives outlined above. An award of 22/25 was made reflecting the achievement against the strategic and personal objectives.

	Strategic and personal objectives	Performance assessment	Link to Group strategic objectives
Eoin Tonge	Financial targets and cash flow	Eoin has focused on driving initiatives aimed at reducing capital spend and focusing on generating sustainable cash flows for the business. For the year under review, Operating Cash Flow increased by £3.9m driven by increased Adjusted EBITDA.	
	Delivery of Peacock Foods acquisition and integration	Within three months of his appointment, together with Patrick, Eoin also played a key role in the completion of the Peacock Foods acquisition and the associated rights issue and capital financing. He has been instrumental in integrating the Group's financial and operational model into the new component of the Group's US division which has provided a growth platform of real scale for the Group. The integration of Peacock Foods has progressed well and Eoin has played a pivotal role in cost synergies being above expectation in FY17.	
	Talent management	Since becoming CFO, Eoin completed a comprehensive review of the finance and operations team and reshaped its structure with a focus on centralisation and performance optimisation, this is currently being implemented. He has updated development plans for the finance and operations functions to ensure appropriate structures, resources and succession plans are in place.	

The Committee reviewed the annual bonus outcome in late 2017 and concluded that Eoin Tonge contributed significantly to the Company's performance with strong progress against the objectives outlined above. An award of 22/25 was made reflecting the achievement against the strategic and personal objectives.

After a review of financial performance and in order to promote further alignment with shareholder interests, the Committee determined that the entirety (rather than only 50%) of bonuses for FY17 will be awarded in shares, deferred for three years subject to continued employment. As such, no cash bonus awards have been made for the financial period. The Committee believes that this approach appropriately recognises each Executive Director's performance against the non-financial targets set at the start of the year, while ensuring greater shareholder alignment over the longer-term.

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

Executive Director	Bonus outcome (% of maximum)	Bonus outcome (£000)
Patrick Coveney	22%	£230[1]
Eoin Tonge	22%	£132[1]

1 The bonus outcome is payable in deferred shares in three years time dependent on continued employment.

The Committee considered that these levels of bonus are appropriate in light of the Group's development, taking into account the strategic, organisational and economic progress made during the financial year. Mr Alan Williams did not receive a bonus in respect of FY17 as he had resigned.

LONG-TERM INCENTIVES: VESTING OF FY15 PSP AWARDS

On 2 December 2014, Patrick Coveney and Eoin Tonge received awards under the PSP as set out in the table below:

Executive Director	Date of grant	Number of shares granted	Share price on date of grant[1]	Face value	Award as % of salary	Vesting date
Patrick Coveney	2 December 2014	266,886[3]	£2.31721[3]	£618,430	100%	2 December 2017
Eoin Tonge[2]	2 December 2014	121,050[3]	£2.31721[3]	£280,498	n/a	2 December 2017

1 Average share price for the three days following 25 November 2014.
2 Eoin Tonge was not an Executive Director at the time of the award was granted in FY14; his award is disclosed here for transparency.
3 The number of awards and market price for awards granted in FY15 have been adjusted in line with the rights issue which completed in December 2016.

PSP awards granted in December 2014 were subject to EPS and ROIC performance targets measured over the period FY14 to FY17. Target and actual outturn have been as follows:

Measure	Weighting (% of award)	Underlying outturn[1]	Vesting (% of award)
Adjusted EPS growth	50%	5.2% p.a.	13%
ROIC	50%	12.6%	22%
Total			35%

1 The impact of the Peacock Foods acquisition on financial performance has been excluded in the Committee's consideration of the Company's underlying performance, on the basis that the acquisition occurred towards the end of the three-year performance period and Peacock Foods was not a part of the Group for the majority of the performance period. However, the impact of the acquisition was taken into account in the Committee's holistic assessment of the vesting outcome.

Report on Directors' Remuneration
continued

ANNUAL REPORT ON REMUNERATION CONTINUED

ALIGNING LONG-TERM AWARDS
Both EPS and ROIC measures are Group financial KPIs.

Read more on Financial KPIs on
Pages 20 and 21

The vesting of the awards is also subject to a discretionary performance underpin, which takes into consideration a number of factors including Company TSR and cash flow performance over the period. The Committee considered these factors along with the underlying performance of the business, and determined that the formulaic level of vesting was appropriate. Awards will therefore vest in December 2017, subject to continued employment on the vesting date.

Alan Williams' FY15 PSP award lapsed in full on his resignation.

PENSION

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

Patrick Coveney is also a deferred member of the Group's Irish Defined Benefit Pension Scheme which closed to future accrual with effect from 31 December 2009. The value of the frozen scheme benefits for the Chief Executive Officer was £50,436 as at 29 September 2017. 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.

EOIN TONGE'S REMUNERATION PACKAGE

Eoin Tonge was appointed as Chief Financial Officer on 3 October 2016, and his remuneration package for FY17 was as follows:

Salary: £400,000
Maximum bonus opportunity: 150% of salary
PSP award opportunity: 150% of salary
Pension: 25% of his pensionable earnings

Eoin 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 remuneration Policy, any outstanding awards made to Eoin prior to his appointment will be honoured. These awards will be disclosed in full in the relevant year's Annual Report on Remuneration.

LONG-TERM INCENTIVES: PSP AWARDS GRANTED IN FY17

On 7 February 2017, Patrick Coveney and Eoin Tonge received awards under the PSP as set out in the table below:

Executive Director	Date of grant	Number of shares granted	Share price on date of grant[1]	Face value on date of grant	Award as % of salary	Vesting date	Holding period after vesting date
Patrick Coveney	7 February 2017	562,829	£2.4633	£1,386k	200%	7 February 2020	2 years
Eoin Tonge	7 February 2017	243,572	£2.4633	£600k	150%	7 February 2020	2 years

1 Average share price for the three days following 31 January 2017.

Vesting of these awards will be subject to EPS and ROIC performance targets measured over the period FY16 to FY19. The performance conditions are as follows:

Measure	Weighting (% of award)	Performance targets
EPS growth	50%	Below 5% p.a.: 0% vesting; 5% p.a.: 25% vesting; 15% p.a.: 100% vesting (Straight-line vesting applies between 5% and 15% p.a.)
FY19 ROIC	50%	Below 12.5%: 0% vesting; 12.5%: 25% vesting; 15%: 100% vesting (Straight-line vesting applies between 12.5% and 15%)
Total		

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

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

LONG-TERM INCENTIVES: DEFERRED BONUS PLAN ('DBP') AWARDS GRANTED IN FY17

During the year, the following deferred bonus shares were awarded to Patrick Coveney and Eoin Tonge in respect of FY16. The awards relate to the bonus awarded for performance during FY16.

Executive Director	Date of grant	Number of shares granted	Share price on date of grant[1]	Face value on date of grant	Vesting date
Patrick Coveney	10 January 2017	175,197	£2.4260	£425,028	10 January 2020
Eoin Tonge[2]	10 January 2017	63,717	£2.4260	£154,577	10 January 2020

1 Average share price for the three days following 4 January 2017.
2 Eoin Tonge was not an Executive Director at the time of the award; his award is disclosed here for full transparency.

PAYMENTS FOR LOSS OF OFFICE

Alan Williams stepped down as Chief Financial Officer and Executive Director of Greencore on 3 October 2016. Alan received a payment of £1,676 representing three days' salary, pension and contractual benefits in line with his contract of employment. This figure is shown in his single figure for FY17. He was entitled to a salary, pension and contractual benefits in line with his contract of employment up to 31 December 2016. Alan was also entitled to PSP and deferred share awards which vested in December 2016 as he was still an employee of the Group at the date of vesting.

In line with the remuneration Policy and relevant plan rules, any of Alan's outstanding Deferred Share Awards and PSP awards lapsed in full as at 31 December 2016.

PAYMENT TO PAST DIRECTORS

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

Report on Directors' Remuneration
continued

ANNUAL REPORT ON REMUNERATION CONTINUED

IMPLEMENTATION OF THE REMUNERATION POLICY IN FY18

A summary of how the remuneration Policy will be applied for FY18 is set out below.

BASE SALARY

The Committee reviewed Executive Directors' salaries in FY18 and agreed to award an increase of 2.5% for the year to both Patrick Coveney and Eoin Tonge, in line with the average increase awarded to the wider workforce. The new salaries, effective from 1 October 2017, will be as follows:

Executive Director	Salary from 1 October 2017	Salary from 1 October 2016[1]	% increase
Patrick Coveney	€823,728	€803,637	2.5%
Eoin Tonge	£410,000	£400,000	2.5%

1 For Eoin Tonge, salary is set out from his date of appointment which was 3 October 2016.

PENSION AND BENEFITS

Patrick Coveney and Eoin Tonge will receive pension and benefits as set out in the remuneration Policy table. Provisions remain unchanged from FY17.

ANNUAL BONUS

The performance measures and bonus opportunity for the FY18 remain unchanged from FY17. The maximum opportunity will be 150% of salary. Half of any bonus earned will be deferred in shares, vesting after three years subject to continued employment. As set out in the Chair's Letter, both the cash bonus and deferred bonus awards will be subject to malus and clawback provisions from FY18.

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

As in previous years, the targets for FY18 will be set with reference to budget as well as broker forecasts and other external considerations, and the Committee considers its approach to target-setting to be robust. If maximum performance targets are achieved, the Committee considers that this would represent exceptional performance and add significant value for shareholders. Performance targets are considered by the Committee to be commercially sensitive and have therefore not been disclosed on a prospective basis. Full retrospective disclosure of the targets and performance against them will be provided in next year's report.

LONG-TERM INCENTIVE

For FY18, Patrick Coveney and Eoin Tonge will receive awards under the PSP of 200% and 150% of salary, respectively, in December 2017.

The performance measures will be based on EPS and ROIC performance targets, and a new relative TSR measure, assessed over the period FY17 to FY20. The performance conditions are as follows:

Measure	Weighting of award	Performance targets
EPS growth	⅓rd	Below 5% p.a.: 0% vesting; 5% p.a.: 25% vesting; 15% p.a.: 100% vesting (Straight-line vesting applies between 5% and 15% p.a.)
FY20 ROIC	⅓rd	Below 10%: 0% vesting; 10%: 25% vesting; 13%: 100% vesting (Straight-line vesting applies between 10% and 13%)
Relative TSR vs. a bespoke group of sector peers	⅓rd	Below median: 0% vesting; Median: 25% vesting; Upper quartile: 100% vesting (Straight-line vesting applies between median and upper quartile)

The Committee carefully weighted feedback, consensus forecasts and internal modeling of expected performance in relation to the performance targets.

Area	Detail
Shareholder feedback	As part of the consultation outlined previously, we wrote to shareholders with the proposed ranges for the FY18 awards. In meeting with investors, both fund managers and governance and stewardship teams were largely supportive of the revision to the targets; and recognised that ROIC of 13% in 2020 is a truly stretching target.
Consensus forecast	The Committee also reviewed the performance ranges against consensus forecasts available at the time. Based on those consensus estimates, we are confident that the revised ranges are both stretching in the context of our anticipated business performance and analyst expectations.
Internal modelling	The Committee was provided with detailed assessments of the expected performance of the business. These steps were taken to ensure that the revised targets reflect the expected future performance for Greencore's enlarged business. Similarly, the Committee reviewed the growth in invested capital of our business, which has increased from an average of £651.3 million in 2015 to £1,060.9 million in 2017.

The Committee continues to believe that EPS and ROIC are key drivers for growth and returns in the business. TSR has been introduced to further enhance shareholder alignment. The Committee has a robust approach to target-setting, taking into account internal and external forecasts, as well as market practice for similar-sized companies, and the need to set targets that are stretching yet achievable.

For the FY18 award, the bespoke TSR peer group comprises the following companies: A.G. Barr plc, Aryzta AG, Britvic plc, Cranswick plc, Dairy Crest Group plc, Glanbia plc, Greenyard Holdings, Greggs plc, Hain Celestial Group, Hilton Food Group plc, Kerry Group, Pinnacle Foods, Inc., Post Holdings, Inc., Premium Brands Holdings Corporation, SSP Group plc, Total Produce plc and TreeHouse Foods. In addition, in adjudicating the vesting outcome for the TSR element, the Committee will take into account overall business performance, including an assessment of cash flow performance and shareholder experience.

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

The awards will vest three years from the grant date, subject to meeting the performance conditions and continued employment. Malus and clawback provisions apply to the FY18 PSP awards both prior to vesting and for a period of two years post-vesting. A mandatory two year holding period for vested PSP awards applies; vested awards may not be sold during the holding period except to cover tax liabilities.

NON-EXECUTIVE DIRECTOR FEES FOR FY18

Non-Executive Director fees are determined by the Board within the limit approved by shareholders in the Articles of Association, with the exception of the Chairman of the Board, whose remuneration is determined by the Committee.

The Board reviewed its Non-Executive Director fees in FY17, the previous review being in January 2014, in the context of practice at companies of a similar size and complexity. Following this review, the fee structure was revised to, reflect the increased size and scale of the business, the time commitment, skills and experience required of a Non-Executive Director at Greencore. The new fees became effective from 1 October 2016.

	FY17 (€)	FY16 (€)
Basic fee		
Chairman	**78,000**	55,000
Non-Executive Director	**78,000**	60,000
Additional fees		
Chairman	**247,000**	189,000
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**	5,000

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 FY17 and FY16, and the year on year change.

	Distributions to shareholders (£000)	Total employee pay (£000)
FY17	31,816	369,600
FY16	25,229	270,800
% change	26.1%	36.5%

HISTORICAL TSR PERFORMANCE AND REMUNERATION OUTCOMES FOR THE CHIEF EXECUTIVE OFFICER

The graph below compares the Company's TSR against the FTSE All-Share Index and the FTSE 250 Index for over a period of eight years up to 29 September 2017. It reflects the change in a hypothetical £100 holding in shares. The FTSE 250 Index has been chosen as the Company is a constituent of this index, whilst the FTSE All-Share Index has been chosen to provide a more broad-based comparator group.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Single Figure (£000)	1,920	1,933	2,029	1,740	2,130	3,750	2,424	1,441
PSP vesting[1]	–	–	–	–	–	92.3%	79%	35%
Annual Bonus	95%	78%	92%	89%	98%	73%	83%	22%

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

Each year's single figure of total remuneration is converted from euro to sterling using the average exchange rate over the relevant financial year.

EXTERNAL APPOINTMENTS

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

On 30 May 2014, Patrick Coveney was appointed as a Non-Executive Director of Glanbia plc. In FY17, he received an annual fee of €70,000 for this role.

OUTSTANDING SHARE AWARDS (AUDITED)

Details of the Executive Directors' existing share awards 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	03.12.13	224,919	–	228,744[2]	–	–	£1.85567	–	03.12.16	03.12.16
	02.12.14	158,176	–	–	–	192,315[1]	£2.31721[1]	–	02.12.17	02.12.17
	03.12.15	95,379	–	–	–	115,964[1]	£2.62345[1]	–	03.12.18	03.12.18
	10.01.17	–	175,197	–	–	175,197	£2.24260	–	10.01.20	10.01.20
Performance Share Plan[3]	03.12.13	344,306	–	276,427[4]	–	–	£1.85567	–	03.12.16	03.12.16
	02.12.14	219,510	–	–	–	266,886[1]	£2.31721[1]	–	02.12.17	02.12.17
	03.12.15	173,572	–	–	–	211,034[1]	£2.62345[1]	–	03.12.18	03.12.18
	07.02.17	–	562,829	–	–	562,829	£2.4633	–	07.02.20	07.02.20
ShareSave	06.07.16	5,761	–	–	–	7,004[1]	£3.2970	£2.17958[1]	01.09.19	29.02.20
Eoin Tonge										
Deferred Bonus Plan	03.12.13	88,127	–	89,803[2]	–	–	£1.85567	–	03.12.16	03.12.16
	02.12.14	69,181	–	–	–	84,112[1]	£2.31721[1]	–	02.12.17	02.12.17
	03.12.15	49,137	–	–	–	59,742[1]	£2.62345[1]	–	03.12.18	03.12.18
	10.01.17	–	63,717	–	–	63,717	£2.24260	–	10.01.20	10.01.20
Performance Share Plan[3]	03.12.13	138,437	–	111,143[4]	–	–	£1.85567	–	03.12.16	03.12.16
	02.12.14	99,562	–	–	–	121,050[1]	£2.31721[1]	–	02.12.17	02.12.17
	03.12.15	88,820	–	–	–	107,990[1]	£2.62345[1]	–	03.12.18	03.12.18
	07.02.17	–	243,572	–	–	243,572	£2.4633	–	07.02.20	07.02.20
Executive Share Option Scheme[5]	02.08.07	150,000	–	–	188,827[1]	–	€3.19	–	02.08.10	02.08.17
ShareSave	23.07.15	7,113	–	–	–	8,649[1]	–	£2.080887[1]	01.09.18	28.02.19
Alan Williams[6]										
Deferred Bonus Plan	03.12.13	136,407	–	139,001[2]	–	–	£1.85567	–	03.12.16	03.12.16
	02.12.14	110,876	–	–	110,876	–	£2.81733	–	02.12.17	02.12.17
	03.12.15	70,332	–	–	70,332	–	£3.18966	–	03.12.18	03.12.18
Performance Share Plan[3]	03.12.13	229,028	–	183,876[4]	–	–	£1.85567	–	03.12.16	03.12.16
	02.12.14	153,869	–	–	153,869	–	£2.81733	–	02.12.17	02.12.17
	03.12.15	137,267	–	–	137,267	–	£3.18966	–	03.12.18	03.12.18
ShareSave	01.07.14	3,913	–	–	3,913	–	£2.77	£2.30	01.09.17	28.02.18
	23.07.15	3,557	–	–	3,557	–	£3.153	£2.53	01.09.18	28.02.19

1 The number of options and the market price for awards granted in FY07, FY14 and FY15 have been adjusted in line with the rights issue which completed in December 2016.
2 The difference between awards granted in 2013 and shares exercised in 2016 represents scrip dividend payments on the awards.
3 The share price used to calculate the number of shares under the award was the average share price for the three dealing days after the release of the Group's results.
4 The difference between awards granted in 2014 and shares exercised in 2016 represents satisfaction of the performance conditions and scrip dividend payments on the awards.
5 The awards under the Executive Share Option Scheme lapsed in August 2017.
6 Alan Williams left the Company on 31 December 2016.

Report on Directors' Remuneration
continued

ANNUAL REPORT ON REMUNERATION CONTINUED

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

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

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

The table below shows the beneficial interests of Directors on 29 September 2017 (including the benefits interest of their spouses, civil partners, children and stepchildren) in the Ordinary Shares of the Company, as well as unvested awards.

				Shareholding requirement					
	Ordinary Shares held at 30 Sep 2016	Ordinary Shares held at 29 Sep 2017	Ordinary Shares held at 27 Nov 2017	% of salary required	% of salary held	Value of shares held at 29 Sep 2017[1]	Unvested performance shares subject to performance	Unvested awards not subject to performance	Vested options not exercised
Executive Directors									
Patrick Coveney	1,996,284	3,478,366	3,501,572	200%	1,069%	7,473,269	773,869	576,856	–
Eoin Tonge	168,803	458,616	459,988	150%	246%	985,336	351,562	249,939	–
Alan Williams[2]	557,976	n/a	n/a	–	–	–	–	–	–
Non-Executive Directors									
Gary Kennedy	48,582	101,087	101,838	–	–	–	–	–	–
Sly Bailey	25,000	55,576	55,576	–	–	–	–	–	–
Heather Ann McSharry	13,030	27,377	27,561	–	–	–	–	–	–
John Moloney	25,000	47,307	47,307	–	–	–	–	–	–
Eric Nicoli	17,000	28,769	28,769	–	–	–	–	–	–
Kevin O'Malley[3]	–	19,500	19,500	–	–	–	–	–	–
Tom Sampson[4]	–	35,000	35,000	–	–	–	–	–	–
John Warren	25,000	60,000	60,000	–	–	–	–	–	–
Group Company Secretary									
Conor O'Leary	72,975	125,324	125,324	–	–	–	–	–	–

1 Calculated based on the average share price between 1 July 2017 and 29 September 2017 of £2.1485.
2 All of Alan Williams' outstanding awards lapsed when he left the Group on 3 October 2016.
3 Kevin O'Malley was appointed to the Board on 14 March 2017.
4 Tom Sampson was appointed to the Board on 1 February 2017.

The table above reflects changes to current Directors' interests in Greencore shares during the period 1 October 2016 to 27 November 2017.

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 provides a means of saving and gives employees the opportunity to become shareholders. Currently, there are approximately 2,500 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, the DBP and the PSP. The related charge in respect of share-based payments issued to Executive Directors totalled £0.9m (FY16: £0.6m). Full details of the DBP and PSP awards are outlined on pages 72 and 73.

Options outstanding under the Company's Executive Share Option Scheme, the DBP, PSP and ShareSave Schemes at 29 September 2017 amounted to 12,217,828 Ordinary Shares (FY16: 9,993,654) made up as follows:

		Number of ordinary shares[1]	Price range[1]	Normal exercise dates
Executive Share Option Scheme	Basic tier	160,061	€0.53–€0.91	2017–2021
Deferred Bonus Plan		1,612,706	–	2017–2020
Performance Share Plan		5,406,319	–	2017–2020
ShareSave Scheme	Ireland	90,596	€2.18–€2.58	2017–2021
	UK	4,948,146	£1.89–£2.17	2017–2021

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

FUNDING OF EQUITY AWARDS

Executive incentive arrangements are funded by a mix of newly issued shares and shares purchased in the market. Where shares are newly issued, the Company complies with the Investment Association guidelines in relation to issuing a maximum of 5% of share capital in respect of discretionary schemes and a maximum of 10% in respect of all share schemes in a rolling ten-year period. At 29 September 2017, there were 4,085,161 shares in the Company's share ownership trust (as at 30 September 2016: 2,414,291). Current shareholder dilution is circa 0.58%.

Report of the Audit Committee

On behalf of the Audit Committee (the 'Committee') and the Board, it is my pleasure to present the Report of the Committee for the year ended 29 September 2017.

JOHN WARREN
27 November 2017

DEAR SHAREHOLDER,
The purpose of this report is to provide an insight into the workings of the Committee over the past year. I would like to take this opportunity to thank the members of the Committee for their work during the year under review, which has been very busy including the acquisition of Peacock Foods, the consequential major changes to our segmental reporting analysis and the tendering of our external audit. The report includes an overview of these matters as well as the other principal matters which the Committee has assessed during the year, with the aim of providing an understanding of its essential role in protecting the interests of our shareholders through ensuring the integrity of the Company's published financial information and the effectiveness of the risk management process.

ROLE OF THE COMMITTEE
The role, authority, responsibilities and scope of the Committee are set out in its Terms of Reference which are available under the Corporate Governance section of our website, www.greencore.com. The Terms of Reference, are reviewed on an annual basis and were amended in September 2017.

MEMBERSHIP OF THE COMMITTEE
The Committee currently consists of three Non-Executive Directors: Ms SG Bailey, Ms HA McSharry and myself, each considered by the Board to be independent. Further details of the Committee members' experience and qualifications can be found in their biographical details as set out on pages 50 and 51. The varied backgrounds of the Committee members and their broad experience and expertise from a wide variety of industries and knowledge of the Company allows them to fulfil the Committee's remit and to oversee the Company's external auditor effectively. The Board has determined that I have recent and relevant financial experience as required under Provision C.3.1. of the 2016 UK Corporate Governance Code (the '2016 Code').

Collectively the Committee is independent, financially literate and has a knowledge and understanding of the following key areas:

- Financial reporting principles and accounting standards;
- The regulatory framework within which the Group operates;
- The Group's internal control and risk management environment; and
- Factors impacting the Group's Financial Statements.

Following a review the Committee, as a collective, 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 Code and its associated provisions, the Board ensures that there are formal and transparent arrangements in place for considering how corporate reporting is applied, along with monitoring risk management and internal control principles and maintaining a suitable relationship with the external auditor. Following a recent review of the Committee's compliance with the 2016 Code, the Committee has determined that it meets the requirement of Principle C.3 and its associated provisions, along with the remainder of the 2016 Code provisions and associated principles within its remit.

The Committee meets at least three times in the financial year and attendance at those meetings is shown on page 59 of the Corporate Governance Report. The meetings of the Committee are scheduled to take place in advance of Board meetings. This affords me, as Chair of the Committee, the opportunity to keep the Board apprised of the key items discussed at Committee meetings. The Board also receive copies of the minutes of the Committee meetings.

Meetings of the Committee are attended by the Chief Executive Officer, Chief Financial Officer, Group Finance Director, Head of Risk Management and Head of Legal and Compliance, together with any other individuals the Committee deems appropriate upon invitation. Representatives of the external auditor also attend Committee meetings upon invitation. Given his knowledge of the Peacock Foods business, Non-Executive Director Mr TH Sampson also attends the meetings. In addition, other individuals from within the Group will attend a Committee meeting at least annually and provide the Committee with an update on certain key areas of the business, such as health and safety, food safety, environmental, insurance and IT.

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

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES IN FY17

KEY AREAS OF FOCUS

The work of the Committee in FY17 principally fell under the key areas which are summarised below:

Key areas of focus for FY17	
PEACOCK FOODS ACQUISITION	The acquisition of Peacock Foods was completed during the year. Given the complexity of the acquisition in terms of the geographical spread and scale, valuation, taxation and accounting expertise was relied on from various professional service providers who assisted with the acquisition activity. The valuation of assets and liabilities was performed by independent experts and the Committee has taken comfort from this work. Details of the significant judgements made are set out on page 96. The Committee considered the various accounting elements of the transaction to ensure that the Financial Statements represent a true and fair view. Committee members also received detailed briefings from senior management and expert service providers on the acquisition as part of additional Committee and Board meetings.
SEGMENTAL REPORTING	Following the acquisition of Peacock Foods, the Committee performed a review of the reporting segments applied by the Group and whether they would remain appropriate given the size and structure of the Group post acquisition, taking into account the requirements of the relevant accounting standard. As a result, the Group adopted two separate reporting segments: 1. Convenience Foods UK & Ireland: incorporating Food to Go (i.e. sandwich, sushi and salad activities) and the other parts of the Convenience Foods UK & Ireland division which comprise the ready meals, chilled soups and sauces, cooking sauces, quiche, Yorkshire Pudding and cakes and desserts businesses as well the Irish ingredient trading businesses. 2. Convenience Foods US: comprising the total combined US business including the acquired Peacock Foods business, manufacturing convenience food products for many of the largest food brands, convenience retail and food service leaders in the US. Convenience Foods US produces a wide range of fresh, frozen and ambient products including sandwiches, meal kits and salad kits.
EARNINGS PER SHARE RESTATEMENT	During December 2016, Greencore completed a rights issue to partially fund the acquisition of Peacock Foods. Following the completion of the rights issue, the Group was required to restate historic earnings per share to reflect the bonus element of the rights issue. The Committee reviewed the methodology behind the restatement and was satisfied that the adjustments were properly calculated and applied. The weighted average number of shares for both the half-year ended 25 March 2016 and the full-year ended 30 September 2016 were restated to incorporate the bonus share element of the rights issue. In addition, Basic Earnings per Share, Adjusted Basic Earnings per Share, Diluted Earnings per Share and Adjusted Diluted Earnings per Share were also restated to reflect the revised weighted average number of shares in issue.
DIVIDEND PER SHARE RESTATEMENT	Following the completion of the rights issue during December 2016, the Group restated its historic dividend per share, to reflect the bonus element of the rights issue, for the interim, final and total dividend for the year ended 30 September 2016 for comparative purposes. Again, the Committee was satisfied as to the correctness and appropriateness of the adjustments.
RISK MANAGEMENT AND INTERNAL CONTROLS	The Committee continued to monitor the progress of the risk management framework, further details are set out on pages 61 and 62.

Report of the Audit Committee
continued

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES IN FY17 CONTINUED

Key areas of focus for FY17	
EXTERNAL AUDIT	The Committee monitored the activities undertaken by the external auditor to ensure both an effective audit and auditor independence. In September 2017, the Committee met with KPMG to discuss the FY17 audit plan. The Committee reviewed the half-year results statement, full-year results statement and the FY17 Annual Report and Financial Statements with the auditor for recommendation to the Board. Further detail in relation to the external audit is set out on page 98. The critical accounting policies and judgements which applied are outlined below.
AUDIT TENDERING AND APPOINTMENT	Following the transposition of the EU Statutory Audit Directive and EU Statutory Audits Regulation into Irish law on 17 June 2016 (the '2016 Regulations'), the Group is subject to mandatory rotation of the statutory auditor after a 10 year period. The last external audit tender was conducted in 2008 when KPMG were appointed statutory auditor to the Group. Under the 2016 Regulations, their tenure would expire following the FY17 audit. However, given the management focus on the operational and financial integration of the acquisitions completed in 2016, in particular the acquisition in December 2016 of Peacock Foods, together with the appointment of a new Chief Financial Officer in October 2016, the Committee believed that it would be in the best interests of the Group to seek to extend the current tenure of KPMG. Consequently, the Committee secured a one-year extension to the mandatory rotation of KPMG's tenure from the Irish Auditing and Accounting Supervisory Authority. Therefore KPMG's tenure as the Group's statutory auditor will conclude at the end of the FY18 audit. As a result, and having received confirmation of their willingness to continue in office, the Committee recommended to the Board that KPMG continue in office for FY18. The Committee believes that it is vital that shareholders are provided with the opportunity to highlight any issues or concerns in relation to the appointment of the external auditor and as in prior years, their continuance in office for FY18 will be subject to a non-binding advisory vote at the 2018 AGM. The Committee undertook a tender process during FY17 to ensure that the new auditor would have sufficient time for an orderly transition in advance of their official appointment which will take effect from the beginning of FY19. Details of the tendering process is set out on pages 98 and 99. Following a comprehensive selection process, the Committee recommended Deloitte to the Board as the Group's new external auditor. Upon approval by the Board, and subject to the approval by shareholders, Deloitte's proposed tenure will take effect at the commencement of FY19.

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 FY17, 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 29 September 2017.

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

EXCEPTIONAL ITEMS	Exceptional items are items which have been disclosed separately due to their amount or nature, the purpose of which is to assist the user in understanding underlying performance. Group management exercises judgement in assessing each exceptional item and analysing whether the treatment of exceptional items is consistent with accounting policies and practice. During the year, the Group had exceptional costs of £78.2m largely due to impairment, acquisition transaction costs, restructuring and integration costs. During the audit, KPMG reviewed the treatment of exceptional items and discussed the application of the accounting policy and the related disclosures with management. Following discussions, the Committee was satisfied that the identification of items as exceptional items was applied on a consistent basis and the accounting policy and disclosures were in line with previous practice.
ACCOUNTING FOR PEACOCK FOODS ACQUISITION	Given the significant scale of the acquisition of Peacock Foods the Committee considered with management and external professional service providers the judgements and estimates used by management in the fair value accounting of the acquisition. The Committee took assurance from the independent work undertaken by EY in assessing the fair value of acquisition related intangible assets and Deloitte who provided taxation advice throughout the transaction. The Committee also relied on the judgement, made by external property experts on the fair value of property, plant and equipment. In addition, KPMG also reported to the Committee on the appropriateness of valuations and judgements made in the fair value accounting and on the completeness of relevant disclosures in the Group Financial Statements to ensure statutory reporting requirements are met. Given the size of the transaction, KPMG undertook a full scope audit of the acquisition balance sheet at 30 December 2016. Taking all these inputs into account, the Committee has concluded that the fair value of the opening balance sheet has been appropriately stated in the Financial Statements.

GOODWILL	The Group had goodwill of £797.1m as at 29 September 2017 and as set out in Note 13 to the Group Financial Statements. As part of its audit, KPMG assessed the Group's impairment model for each Cash Generating Unit and performed analysis on the assumptions which had been used by the Group in the impairment model. Following a detailed review and discussions with KPMG, the Committee was satisfied that the assumptions used were appropriate. As there was sufficient headroom, the Committee was satisfied that no impairment was required.
POST RETIREMENT BENEFITS	As set out in Note 24 to the Group Financial Statements, the Group operates a number of legacy defined benefit pension schemes, all of which are closed to future accrual and some of which have significant deficits. The defined benefit pension schemes are sensitive to any change in actuarial assumptions, whereby a modest change to an actuarial assumption may have a material impact on the reported balance. As part of its audit, KPMG evaluated and reviewed the assumptions and methodologies used by the actuarial advisors to the Group and made an assessment as to whether the assumptions made were appropriate and not materially different from external benchmarks. KPMG discussed the assumptions used and models by which the defined benefit pension schemes had been accounted for with management and the Committee, following on from which, the Committee were satisfied with the assumptions used and the methods by which the defined benefit pension schemes have been accounted for.
TAXATION	Significant judgement is exercised by management and the Group's tax advisor, Deloitte, in determining the amounts to be provided for both current and deferred tax. The final tax determination of certain transactions is often uncertain and may not be known for some time in the future. KPMG, during their audit, reviewed the Group's tax positions, using international and local tax specialists to analyse and challenge assumptions used to determine tax provisions. Following on from such reviews and analysis, KPMG discussed the judgements and tax disclosures made with the Committee. The Committee is satisfied that the judgements made were prudent and appropriate and that the correct accounting treatment had been adopted. Further detail in relation to taxation is set out in Note 10 to the Group Financial Statements.

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

Under Provision C.3.4. of the 2016 Code, the Audit 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 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 reports (taking into account reports received by the Board during the year), the level of information provided, the narrative reporting and the language used.

RISK MANAGEMENT AND INTERNAL CONTROLS

Whilst it is the Board which is responsible for the Group's system of internal control, the Committee assists the Board in meeting its obligations in this regard. The Group's internal control framework is set out on pages 61 and 62.

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

In May 2017, the Head of Risk Management provided the Committee with an update on progress against the FY17 Risk Management Plan which had been approved by the Committee in September 2016. A presentation on the reports completed to date, including a number of reviews and actions covering Peacock Foods and cyber security, together with updates on the risk management charter, were also provided to the meeting.

In September 2017, the Committee reviewed the Risk Management Plan for FY18 which sets out the planned activities, including staffing and resources, for the Risk Management Group for the year ahead driven by the maturity of the business and perceived risk level. The Committee also received and reviewed the final comprehensive report on the activities of the Risk Management Group for FY17. The report included detailed information in relation to how the Risk Management Group had delivered against the FY17 plan, a summary of its risk assessment process for the year under review, its key findings and comprehensive information in relation to each of the risk management reports which had been issued since the previous report. The Committee also undertook a review of the Risk Management Group's mission and objectives along with its internal audit charter in order to assess how effectively it had performed during the year. Following the review, the Committee was satisfied that 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.

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

Report of the Audit Committee
continued

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES IN FY17 CONTINUED

EXTERNAL AUDIT

The Committee, on behalf of the Board, is responsible for monitoring the performance, objectivity and independence of the external auditor. It is the Committee's view that effective oversight of the activities undertaken by the external auditor assists in ensuring both an effective audit and audit independence. Part of this is to ensure that open, direct and honest communication exists between the Committee, the external auditor and the senior management team. In order to assist the Committee in evaluating the external audit process and to ensure continuous improvement, following the completion of the audit, on an annual basis each Committee member and the management team complete a questionnaire on the effectiveness of the external auditor and the external audit process generally. The assessment of the FY16 audit highlighted a number of strengths, in particular, the auditor's strong resource commitment during the Peacock Foods transaction, as well as their understanding of the Group's industry, business and risks facing the Group. During the year, KPMG performed additional analytics to support the output of their work providing useful insights which were welcomed by the Committee. Overall the Committee was satisfied with the high level of services provided by KPMG to Greencore throughout the year.

In advance of the commencement of the annual audit in FY17, the Committee reviewed a letter provided by the external auditor confirming their independence within the meaning of the regulations and professional standards.

In September 2017, the Committee met with the external auditor to agree the FY17 audit plan. To ensure a quality audit, the external auditor needs to be aware of the business risks, therefore the Committee discussed and agreed the key business, financial statement and audit risks with the external auditor to ensure that the audit was appropriately directed. In addition, the external auditor's Letter of Engagement was reviewed by the Committee and signed on behalf of the Group in advance of the commencement of the audit.

In November 2017, in advance of the finalisation of the Group's Financial Statements, the Committee reviewed a report from KPMG on their key audit findings, including the key risk areas and significant judgements, and discussed it with them in order for the Committee to form a judgement on the Financial Statements. In addition, we considered the Letter of Representation and the management letter.

At least annually, the Committee meets with the external auditor absent management to discuss any issues the auditor may wish to raise. The Committee continues to be fully satisfied with the performance of KPMG who remain effective, objective and independent. We have therefore recommended to the Board that KPMG should continue in office as the Group's auditor for FY18 and as set out on page 55, an advisory resolution will be put before the shareholders at the forthcoming Annual General Meeting ('AGM') in relation to the continuation in office of KPMG as auditor. The last external audit tender was conducted in 2008 and KPMG were formally appointed as the Group's auditor by shareholders at the AGM of the Company held in February 2009. The lead partner is rotated every five years to ensure continued independence and objectivity. During FY15, Tom McEvoy of KPMG succeeded David Meagher of KPMG as lead partner on the Group's audit.

AUDIT TENDERING AND APPOINTMENT

TENDER PROCESS

The Committee undertook a tender process during FY17 to ensure that the incumbent auditor would have sufficient time for an orderly transition in advance of their official appointment which will take effect from the beginning of FY19.

Following a detailed short-listing process, which included consideration of independence and ability to effectively manage the audit of a group of Greencore's scale, complexity and geography, three audit firms were invited to tender for the engagement.

KPMG, as the incumbent statutory auditor since 2008, were not invited to participate in the tender process, due to their length of tenure and in observing the spirit of the 2016 Regulations and the UK 2016 Corporate Governance Code.

SELECTION PROCESS

Throughout the tender process a rigorous scoring procedure was employed to ensure that the firm selected will provide the highest quality and most effective and efficient audit. Following on from the evaluation of the tender firms, the Committee undertook a thorough and fair selection process:

MARCH – MAY 2017	JUNE – AUGUST 2017	EARLY – MID SEPTEMBER 2017	LATE SEPTEMBER 2017
• Tender process discussed by Committee and selection panel agreed. • Desktop review of material audit firms was undertaken which was based on three key criteria including FTSE 350 experience, global footprint and level of audit fees.	• One on one meetings with tender firms and Committee Chair. • Chief Financial Officer, Group Finance Director and Head of Risk Management met with the tender firms. • Greencore site visits.	• Deadline for receipt of proposals. • Review of proposals against selection criteria. • Committee met to finalise and validate the recommendation paper.	• Presentations by candidate firms to Committee. • New auditor firm selected and agreed by Committee and Board.

SELECTION CRITERIA

Throughout the tender process the Committee was guided by a selection criteria that was firmly established prior to the commencement of the tender process. The scoring mechanism adopted was based on the selection criteria.

The Committee evaluated each of the tender firms on four key criteria, namely:

(1) Audit Quality;
(2) Cultural Fit;
(3) Corporate Fit; and
(4) Commercial Proposition.

Under the 'Audit Quality' criteria, the Committee assessed attributes such as the audit skills and experience, in particular experience of the food market and an understanding of risks specific to Greencore. In addition, the ability to prepare detailed audit plans including the use of audit tools, especially data analytics, was also assessed. The candidate firms proposed transition plan and experience of transition of similar audits were also a key factor in assessment under this criteria.

In assessing candidate firm proposals under the 'Cultural Fit' criteria the Committee examined whether the candidate firm was aligned to the values of Greencore, as set out in 'The Greencore Way'. In addition, the approach taken by the lead partner and the 'top team' in its ability to interact with the Committee and senior management was measured. The ability of a candidate firm to demonstrate flexibility to Greencore's changing needs was also considered.

Under the 'Corporate Fit' measure ability to operate as a seamless global organisation whilst meeting independence requirements was also evaluated. The Committee, in examining candidate firms under this criteria, were looking for a depth of knowledge and presence across all Greencore locations.

Finally, under the 'Commercial Proposition' criterion, the quality of the proposal, together with the sustainability and value of the fee proposal and alignment of contractual terms and conditions, were evaluated in candidate firm proposals.

OUTCOME

The Committee robustly considered the respective merits of the tendering firms. Having considered that Deloitte demonstrated that they were best placed to fulfil the selection criteria, the Committee recommended Deloitte with Marguerite Larkin as lead partner, to the Board as the Group's new external auditor. Upon approval by the Board, Deloitte's proposed tenure will take effect at the commencement of FY19. Their appointment will be put before shareholders for approval at the 2019 AGM. The Board and the Committee would like to thank each of the other firms who participated in the audit tender process, and look forward to working with Deloitte in the future.

TRANSITIONAL PROCESS

To ensure that Deloitte are well prepared for their engagement as the Group's external auditor, transition meetings will be put in place with Group management, Deloitte and KPMG to fully understand the audit approach taken and conclusions reached on significant audit issues and judgements. During FY18 the Group will focus on the transition of the services currently provided by Deloitte including tax and payroll. The process of seeking suitable advisors in this regard will take place throughout FY18.

Report of the Audit Committee
continued

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES IN FY17 CONTINUED

NON-AUDIT SERVICES

Under the Committee's Terms of Reference, the Committee is responsible for developing and implementing policy on the engagement of the external auditor to supply non-audit services whilst ensuring that the auditor does not provide services which are prohibited under the relevant 2016 Regulations. The Committee has a formal approved policy in place in respect of the above, which is reviewed on an annual basis.

Furthermore, the Committee has agreed that only 'clearly trivial' permitted non-audit work may be undertaken by the external auditor without the prior approval of the Committee. All other non-audit services must be pre-approved by the Committee, whose role also includes monitoring the level of fees incurred for the provision of non-audit services.

In FY17 the external auditor provided a significant amount of non-audit services in respect of the Peacock Foods acquisition, where they acted as reporting accountants. The Committee believes that the external auditor's knowledge and objectivity was required and these were important factors in choosing KPMG to provide this service.

In the year under review non-audit fees in the sum of €738k were incurred by the Group relating to the acquisition of Peacock Foods. No other fees were paid to other firms in the lead audit firms network during the year.

COMMITTEE EFFECTIVENESS

Following a review by the Board and the Committee of the Committee in FY17, I can confirm that the Committee continues to operate effectively and efficiently. I would like to thank my fellow members for their commitment, judgement and hard work undertaken during the year.

FURTHER QUESTIONS

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
27 November 2017

Report of the Nomination and Governance Committee

As Chair of the Nomination and Governance Committee (the 'Committee') I am pleased to introduce its report for the year ended 29 September 2017, which details the role of the Committee and the work it has undertaken during the year.

JOHN MOLONEY
27 November 2017

DEAR SHAREHOLDER,
The role of the Committee is defined within its Terms of Reference, which can be found under the Corporate Governance section of our website, www.greencore.com.

MEMBERSHIP OF THE COMMITTEE
All members of the Committee, including myself as Chair, are Non-Executive Directors in accordance with Provision B.2.1. of the 2016 Code. The biographical details of each member are set out on pages 50 and 51. The Group Company Secretary acts as Secretary to the Committee. Other than the Committee Secretary and Committee members, no other individual is entitled to attend the meetings of the Committee, however, in order to ensure that the Committee carries out its role efficiently and effectively, other members of the Board, senior management and advisors may attend by invitation on an ad-hoc basis. No member of the Committee participates in any discussion or decision making when the matter under consideration relates to him or her so as to avoid any conflict of interests.

The Committee believes that the composition of the Committee remains suitably equipped to perform both their nomination and governance duties effectively. Diversity and succession planning remain key aspects of our nomination agenda.

The Committee is empowered to appoint the services of an independent search consultants or legal advisors as it sees fit to assist with its work.

ACTIVITIES OF THE COMMITTEE
The Committee held two scheduled meetings during the year, at which all members attended. Furthermore, the Committee held an additional meeting to review the skill mix, independence, experience and tenure of the Board and to search for, and support the appointment of, the newly elected Non-Executive Directors.

BOARD COMPOSITION
Before any new member is co-opted to the Board, the Committee undertakes a review of the size and structure of the Board along with the skills, experience, competence and expertise required. The Committee's role also includes developing the quality of nominees to the Board and ensuring that the recruitment and appointment process is conducted ethically and with rigour and integrity.

During FY17, the Committee identified and recommended to the Board that the following individuals be appointed to the Board:

- Mr TH Sampson (Non-Executive Director) who was appointed to the Board with effect from 1 February 2017; and
- Ambassador KF O'Malley (Non-Executive Director) who was appointed to the Board with effect from 14 March 2017.

Due to the enlarged presence of Greencore in the US, the search criteria for these appointments included candidates that are of strong character and judgement, confident and commercially orientated, specifically in the US. It was not necessary to utilise the services of external consultants to identify the candidates.

The Committee reviewed the composition of the Board and concluded that the members have appropriate background experience, mix of skills, integrity and knowledge to provide strong and effective leadership of the Company. Furthermore, the Committee believes that the composition of two Executive Directors and eight Non-Executive Directors is appropriate, and together with the Board, continues to keep the composition of the Board and the membership of each of the Committees under continuous review to ensure that each remain appropriately constituted.

Report of the Nomination and Governance Committee
continued

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

Our Non-Executive Directors' tenure on our Board as at 29 September 2017 was as follows:

Non-Executive Directors' tenure	Number of Non-Executive Directors
0–3 years	2
3–6 years	4
6–8 years	1
8+ 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.

Mr EL Nicoli has confirmed his intention to step down as Non-Executive Director and Senior Independent Director in December 2016. The Committee recommended to the Board that, Ms SG Bailey replace Mr Nicoli as Senior Independent Director upon his retirement.

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

DIVERSITY
Both the Committee and the Board are mindful of the benefits of diversity and are committed to ensuring that the Board is sufficiently diverse and appropriately balanced. In its work in the area of Board renewal the Board considers how diversity, in particular gender diversity, plays in ensuring a more effective Board through more efficient and effective decision making. This is clear from the Board's diverse skill set, gender ratio, background and geographical base. In addition to ensuring that both the Board and the Committee remain committed to ensuring diversity at Board level, across the Group we are dedicated to ensuring that all recruitment decisions are fair and non-discriminatory. Group-wide, females made up approximately 41% of our employed population at the end of FY17. Further details on the breakdown of female and male employees can be found on page 31.

GOVERNANCE
The Committee continues to work with the Board to enhance the corporate governance processes and developments in legislation and regulation.

The Committee also considered its Terms of Reference to ensure they reflect the Committee's remit and concluded that they remain appropriate.

In FY18, the Committee will assist the Group Chairman in the external evaluation of the Board, where appropriate. An area of focus for the Committee over the coming year will be the link between diversity, strategy and developing the business. More consideration will be given to the nature, variety and frequency of interaction between the Board and aspiring candidates.

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

JOHN MOLONEY
On behalf of the Nomination and Governance Committee
27 November 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Irish 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'). 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.

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; 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.

The Directors are responsible for keeping adequate accounting records which enable at any time the financial position of the Company to be determined with reasonable accuracy, and which enable them to ensure that the Financial Statements of the Group are prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU and comply with the provisions of the Companies Act 2014, and Article 4 of the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005 (the 'IAS Regulation').

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

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

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

For the purposes of Regulation 21 of SI 255/2006 'EC (Takeover Bids Directive) Regulations 2006', the information given under the following heading on page 52 (Share Capital), 50, 51 and 53 (Directors), 53 and 54 (Significant Shareholdings), 72 (Performance Related Annual Bonus and Deferred Bonus Plan, 73 (Performance Share Plan), 93 (Share Option Schemes), 92 (Directors' and Company Secretary's Shares Interests), 91 and 93 (Share Options), 78 (Directors' Service Contracts), 93 (Share-Based Payments) and 82 (Remuneration and Fees Paid in respect of FY17) are deemed to be incorporated in this part of the Director's Report. In addition, the Company's Memorandum and Articles of Association, which set out the rules that apply in relation to the appointment and replacement of Directors and the amendments of the Articles of Association which are available on the Greencore website, 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.

Statement of Directors' Responsibilities
continued

RESPONSIBILITY STATEMENT IN REGARD TO ANNUAL REPORT
Each of the Directors, whose names and functions are listed on pages 50 and 51 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 29 September 2017 and the profit/loss of the Group for the year then ended; and
- The Directors' Report contained in the Annual Report 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 risk and uncertainties that they face.

As required by the 2016 UK Corporate Governance Code:

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

On behalf of the Board

PG KENNEDY
Director
Dublin
27 November 2017

EP TONGE
Director

Independent Auditor's Report

to the Members of Greencore Group plc

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the Financial Statements of Greencore Group plc for the year ended 29 September 2017 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity, the Company Balance Sheet and the related notes, including the accounting policies in Note 1.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is Irish law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the Company Financial Statements, applicable accounting standards including FRS 101.

In our opinion:

- The Group Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group as at 29 September 2017 and of its profit for the year then ended;
- The Company Balance Sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 29 September 2017;
- The Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- The Company Financial Statements have been properly prepared in accordance with applicable accounting standards, FRS 101 'Reduced Disclosure Framework'; and
- The Company Financial Statements and Group Financial Statements have been properly prepared in accordance with the requirements of the Companies Act 2014 ('Act') and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

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

We were appointed as auditor by the Directors on 19 August 2008 and subsequently re-appointed by shareholders at each subsequent Annual General Meeting to date. The period of total uninterrupted engagement is the 10 financial years ended 29 September 2017. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority ('IAASA') as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

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

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

EXCEPTIONAL ITEMS £78.2M (2016 – £17.4M)

Refer to page 125 (accounting policy) and pages 134 to 135 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
The Group has identified and presented a significant amount of cost as exceptional in the year ended 29 September 2017 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.	Our audit procedures included evaluating the classification of transactions as exceptional in accordance with the Group's accounting policy. We also evaluated whether the accounting policy for exceptional items is appropriate and is consistent with previous periods. We assessed whether items are appropriately and consistently classified as exceptional items. In addition we assessed the appropriateness of disclosures made in relation to each item classified as exceptional. As a result of our work, we determined that items recognised as exceptional items are presented in accordance with the Group's stated accounting policy.

Independent Auditor's Report
continued

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT CONTINUED

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

TAX PROVISIONING £10.8M (2016 – £14.0M)

Refer to pages 122 and 123 (accounting policy) and pages 138 to 140 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
Accruals for tax contingencies require the directors to make judgements and estimates in relation to tax issues and exposures. This is one of the key judgemental areas that our audit is focused on due to the Group operating in a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation and the time taken for tax matters to be agreed with the tax authorities.	In this area our audit procedures included the use of our own international and local tax specialists to assess the Group's tax positions, its correspondence with the relevant tax authorities and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experience of the application of the international and local legislation by the relevant authorities and courts. Our assessment included consideration of alternative interpretations of tax law, where relevant. We have also considered the adequacy of the Group's disclosures in respect of tax and uncertain tax positions. We found the Group's estimate of the amounts to be recognised as tax liabilities to be appropriate and that the disclosures provide an adequate description of the current status of uncertain tax positions.

ACCOUNTING FOR ACQUISITIONS £606.2M (2016 – £15.8M)

Refer to page 119 (accounting policy) and pages 164 to 166 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
The Group completed the acquisition of Peacock Foods during the period see Note 31. The acquired business operates from a number of manufacturing locations and sells to a number of significant customers. Accounting for the completed transaction involved estimating the fair value at acquisition date of the assets and liabilities of the business, including the valuation of customer relationships. Significant judgement is involved in relation to the assumptions used in this process and there is a risk that these assumptions are inappropriate.	In this area our procedures included but were not limited to: We engaged our valuation specialist to assist the audit team with this key audit matter. We examined the information contained in due diligence reports and business case submissions proposing the acquisition be made to the Board of Directors. We assessed the accounting entries used to record the acquisition, the acquisition date assets and liabilities of the acquired entity and the fair value adjustments made thereto. We challenged the Group's critical assumptions in relation to the identification and valuation of customer relationships. We assessed whether all assets had been appropriately identified, and considered the appropriateness of the methodology used in the valuation of these assets. We compared the key assumptions used in the valuation to external data, where available. We assessed the arithmetic accuracy of calculations underpinning the accounting for the business combination and considered whether the resulting goodwill balances were reasonable. We also assessed whether the disclosures made were appropriate. Overall, we found the key assumptions used in accounting for the acquisition to be appropriate.

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT CONTINUED

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

POST RETIREMENT BENEFITS OBLIGATIONS NET DEFICIT £124.8M (2016 – £162.3M)

Refer to page 123 (accounting policy) and pages 158 to 162 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
Significant estimates are made in valuing the Group's post-retirement defined benefit schemes, particularly the discount rate. Small changes in assumptions and estimates used to value the Group's pension deficit would have a significant effect on the results and financial position of the Group.	With the support of our actuarial specialists, we challenged the key assumptions applied in determining the Group's net deficit, being the discount rate, inflation rate and mortality/life expectancy. This included a comparison of these key assumptions against externally derived data. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficits to these assumptions. Overall, we found the key assumptions used in, and the resulting estimate of, the valuation of the retirement benefit obligations of the Group to be appropriate. We found the disclosures in respect of post-retirement benefits to be reasonable.

GOODWILL £797.1M (2016 – £476.9M)

Refer to pages 119 to 120 (accounting policy) and pages 143 to 145 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
There is a risk of irrecoverability of the Group's significant goodwill balance due to potential changes in customer demand and preferences in certain markets and general cost inflation across the industry. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which rely on the directors' assumptions and estimates of future trading performance, there is a risk that the Group's goodwill needs to be impaired.	We considered the appropriateness of the methodology applied by the Directors in determining the CGUs and calculating the impairment charges. In this area our audit procedures included evaluating the budgeting process upon which the Group's discounted cash flow model is based. We also tested the integrity and mathematical accuracy of this cash flow model. We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. We evaluated the assumptions and methodologies used by the Group, in particular those relating to the forecast revenue growth and profit margins. We compared the Group's assumptions in relation to key inputs such as projected cost inflation and discount rates to externally derived data and our own assessments of these inputs. We performed additional sensitivity analysis on these assumptions. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. As a result of our work, we found that management's judgement that no impairment was required was appropriate, and supported by reasonable assumptions. We found the disclosures to be adequate.

Independent Auditor's Report
continued

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT CONTINUED

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

INVESTMENT IN SUBSIDIARY UNDERTAKINGS – PARENT KEY MATTER £176.8M (2016 – £155.5M)

Refer to page 172 (accounting policy) and page 173 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
Investments in subsidiary undertakings are carried in the Company's financial statements at cost less impairment. Impairments in subsidiary undertakings are determined with reference to the subsidiary undertakings' fair value. Investments in subsidiary undertakings is significant as the financial position of underlying entities could result in an impairment charge.	In this area our audit procedures included assessing the carrying value of subsidiaries for any objective indicators of impairment and checking the accuracy of management's calculations. Based on the results of our testing, we consider the carrying value of investments in subsidiary undertakings to be acceptable.

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

The materiality for the Group Financial Statements as a whole increased to £4.0m (2016: £2.5m) in line with the increase in the Group's revenue, assets and normalised profit. This has been calculated using a benchmark of Group profit before taxation normalised to exclude the impact of the exceptional costs including those arising from the impairment of intangible assets, the costs relating to the acquisition of Peacock Foods and the cost associated with the planned closure of the Evercreech facility. Both Group and component audit teams performed work over the excluded items.

This materiality measure represents 4% (2016: 5%) of this benchmark and 32% of total reported profit before tax. We carry out audit procedures to assess the accuracy of the excluded exceptional items as part of our audit.

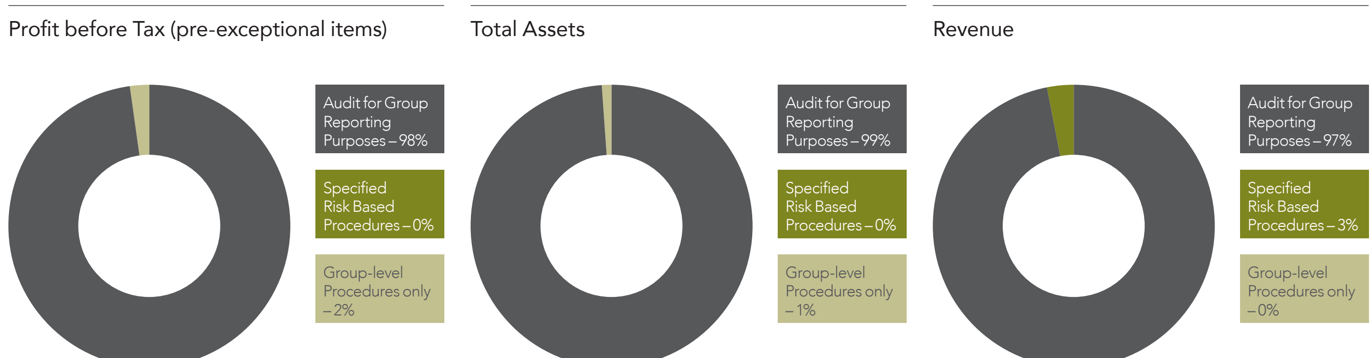
We report to the Audit Committee all material corrected identified misstatements, all uncorrected identified misstatements exceeding £150,000 (2016: £100,000) and other identified misstatements that warrant reporting on qualitative grounds.

Materiality for the Company Financial Statements as a whole was set at £3m (2016: £2.5m), determined with reference to a benchmark of Company total assets, of which it represents 0.21% (2016: 0.25%).

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

We subjected 18 (2016: 17) of the Group's reporting components to audits for Group Reporting and 5 (2016: 8) to specified risk-focused audit procedures. The latter were not individually sufficiently financially significant to require an audit for group reporting purposes. For the remaining components, the Group audit team performed analysis at a Group or Divisional level to re-examine our assessment that there were no significant risks of material misstatement within these components.

SUMMARY OF SCOPE



In relation to the Group's operating units, audits for Group reporting purposes were performed at identified key reporting components in Ireland, the UK and the US, augmented by risk focused audit procedures which were performed for all other components. The audit of the parent company was performed by the Group audit team. As set out in the tables above, these audits covered 98% of Group profit before taxation (and pre-exceptional items), 99% of Group total assets, 97% of total Group revenue, with the remaining 3% of Group revenue covered by specified risk focused audit procedures.

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT CONTINUED

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

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above, and the information to be reported back. The Group audit team approved the component materiality assessments, which ranged from £1m to £2m, having regards to the mix of size and risk profile of the Group across the components. The work on all components was performed by KPMG Ireland. Senior members of the Group audit team, including the lead engagement partner, either physically attended Divisional closing meetings or attended via telephone conferencing facilities, at which the results of component audits were discussed with Divisional and Group management.

4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' Statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 61 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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

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

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

DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

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

- the principal risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within the statement of Risk and Risk Management on pages 60 and 61 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the Directors' explanation in the statement of Risk and Risk Management of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OTHER CORPORATE GOVERNANCE DISCLOSURES

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

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

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 56 to 62, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the Financial Statements and has been prepared in accordance with the Companies Act 2014; and
- based on our knowledge and understanding of the company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information.

We also report that, based on work undertaken for our audit, other information required by the Companies Act 2014 is contained in the Corporate Governance Statement.

Independent Auditor's Report
continued

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT CONTINUED

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

Based solely on the work undertaken in the course of the audit, we report that:
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

We also report that, based on the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's statement of financial position is in agreement with the accounting records.

7. WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by sections 305 to 312 of the Companies Act 2014 are not made.

The Listing Rules of the Irish Stock Exchange and UK Listing Authority require us to review:
- the Directors' statement, set out on page 61, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on page 56 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

8. RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on pages 103 and 104, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the Financial Statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

TOM MCEVOY
for and on behalf of KPMG

KPMG

27 November 2017
Chartered Accountants, Statutory Audit Firm
1 Stokes Place, St. Stephen's Green Dublin 2
D02 DE03 Ireland

Group Income Statement

year ended 29 September 2017

	Notes	2017 Pre-exceptional £m	2017 Exceptional (Note 7) £m	2017 Total £m	2016 Pre-exceptional £m	2016 Exceptional (Note 7) £m	2016 Total £m
Revenue	2	**2,319.7**	**–**	**2,319.7**	1,481.9	–	1,481.9
Cost of sales		**(1,694.3)**	**–**	**(1,694.3)**	(1,009.5)	–	(1,009.5)
Gross profit		**625.4**	**–**	**625.4**	472.4	–	472.4
Operating costs, net	3	**(485.3)**	**(78.2)**	**(563.5)**	(370.4)	(17.4)	(387.8)
Group operating profit before acquisition related amortisation		**140.1**	**(78.2)**	**61.9**	102.0	(17.4)	84.6
Amortisation of acquisition related intangibles	13	**(19.2)**	**–**	**(19.2)**	(9.2)	–	(9.2)
Group operating profit		**120.9**	**(78.2)**	**42.7**	92.8	(17.4)	75.4
Finance income	8	**–**	**–**	**–**	0.1	–	0.1
Finance costs	8	**(31.0)**	**–**	**(31.0)**	(28.0)	–	(28.0)
Share of profit of associates after tax	9	**0.7**	**–**	**0.7**	0.7	–	0.7
Profit before taxation		**90.6**	**(78.2)**	**12.4**	65.6	(17.4)	48.2
Taxation	10	**(7.4)**	**8.9**	**1.5**	(1.2)	1.5	0.3
Profit for the financial year	4	**83.2**	**(69.3)**	**13.9**	64.4	(15.9)	48.5
Attributable to:							
Equity shareholders		**81.5**	**(69.3)**	**12.2**	63.3	(15.9)	47.4
Non-controlling interests	26	**1.7**	**–**	**1.7**	1.1	–	1.1
		83.2	**(69.3)**	**13.9**	64.4	(15.9)	48.5
Basic earnings per share (pence)	11			**1.9**			9.5
Diluted earnings per share (pence)	11			**1.9**			9.4

Group Statement of Recognised Income and Expense

year ended 29 September 2017

	Notes	2017 £m	2016 £m
Items of income and expense taken directly to equity			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on Group legacy defined benefit pension schemes	5	**30.1**	(59.8)
Deferred tax on Group legacy defined benefit pension schemes	10	**(5.1)**	4.7
		25.0	(55.1)
Items that may subsequently be reclassified to profit or loss:			
Currency translation adjustment		**(45.2)**	28.1
Tax on currency translation adjustment	10	**0.1**	(0.3)
Hedge of net investment in foreign currency subsidiaries		**25.8**	(25.7)
Cash flow hedges:			
fair value movement taken to equity		**1.9**	2.3
transfer to Income Statement for the year		**1.5**	(6.0)
Tax on cash flow hedges	10	**(0.1)**	(0.1)
		(16.0)	(1.7)
Net income/(expense) recognised directly within equity		**9.0**	(56.8)
Profit for the financial year		**13.9**	48.5
Total recognised income and expense for the financial year		**22.9**	(8.3)
Attributable to:			
Equity shareholders		**21.1**	(10.1)
Non-controlling interests		**1.8**	1.8
Total recognised income and expense for the financial year		**22.9**	(8.3)

Group Balance Sheet

at 29 September 2017

	Notes	2017 £m	2016 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	13	**1,077.6**	552.4
Property, plant and equipment	14	**485.7**	367.4
Investment property	15	**6.3**	6.2
Investment in associates	9	**1.2**	1.0
Other receivables	17	**–**	2.5
Retirement benefit assets	24	**17.3**	16.7
Derivative financial instruments	21	**–**	0.2
Deferred tax assets	10	**93.5**	60.1
Total non-current assets		**1,681.6**	1,006.5
Current assets			
Inventories	16	**81.9**	65.7
Trade and other receivables	17	**254.8**	157.6
Derivative financial instruments	21	**0.3**	0.6
Cash and cash equivalents	19	**19.8**	25.5
Total current assets		**356.8**	249.4
Total assets		**2,038.4**	1,255.9
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**7.1**	4.1
Share premium		**647.8**	198.9
Reserves		**50.7**	78.2
		705.6	281.2
Non-controlling interests	26	**5.2**	4.4
Total equity		**710.8**	285.6
LIABILITIES			
Non-current liabilities			
Borrowings	20	**539.0**	357.3
Derivative financial instruments	21	**14.3**	23.0
Retirement benefit obligations	24	**142.1**	179.0
Other payables	18	**11.9**	1.7
Provisions for liabilities	23	**29.8**	3.7
Deferred tax liabilities	10	**111.5**	9.3
Total non-current liabilities		**848.6**	574.0
Current liabilities			
Derivative financial instruments	21	**–**	0.3
Trade and other payables	18	**460.3**	376.2
Provisions for liabilities	23	**8.4**	6.3
Current tax payable		**10.3**	13.5
Total current liabilities		**479.0**	396.3
Total liabilities		**1,327.6**	970.3
Total equity and liabilities		**2,038.4**	1,255.9

PG KENNEDY
Director

EP TONGE
Director

Group Cash Flow Statement

year ended 29 September 2017

	Notes	2017 £m	2016 £m
Profit before taxation		**12.4**	48.2
Finance income	8	**–**	(0.1)
Finance costs	8	**31.0**	28.0
Share of profit of associates (after tax)	9	**(0.7)**	(0.7)
Exceptional items	7	**78.2**	17.4
Operating profit (pre-exceptional)		**120.9**	92.8
Depreciation	14	**45.1**	32.7
Amortisation of intangible assets	13	**23.7**	12.9
Employee share-based payment expense		**3.5**	3.2
Contributions to legacy defined benefit pension scheme		**(11.1)**	(14.0)
Working capital movement	27	**(3.0)**	13.2
Other movements		**0.5**	0.2
Net cash inflow from operating activities pre-exceptional items		**179.6**	141.0
Cash outflow related to exceptional items	7	**(33.7)**	(9.9)
Interest paid		**(27.2)**	(15.5)
Tax paid		**(0.5)**	(0.3)
Net cash inflow from operating activities		**118.2**	115.3
Cash flow from investing activities			
Dividends received from associates	9	**0.5**	0.7
Contract acquisition costs		**–**	(2.4)
Purchase of property, plant and equipment		**(105.4)**	(87.7)
Disposal of investment property		**–**	1.1
Purchase of intangible assets		**(17.9)**	(15.4)
Acquisition of undertakings, net of cash acquired	31	**(606.2)**	(16.6)
Disposal of undertakings		**2.9**	0.9
Net cash outflow from investing activities		**(726.1)**	(119.4)
Cash flow from financing activities			
Proceeds from issue of shares		**427.7**	1.1
Ordinary shares purchased – own shares		**(7.2)**	(13.8)
Drawdown of bank borrowings	22	**199.7**	47.0
Drawdown of private placement notes	22	**–**	76.2
Repayment of private placement notes	22	**–**	(67.7)
Decrease in finance lease liabilities	22	**(0.1)**	(0.1)
Dividends paid to equity holders of the Company		**(16.5)**	(19.1)
Dividends paid to non-controlling interests	26	**(1.0)**	(0.9)
Net cash inflow from financing activities		**602.6**	22.7
Net (decrease)/increase in cash and cash equivalents		**(5.3)**	18.6
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at beginning of year	19	**25.5**	6.3
Translation adjustment	22	**(0.4)**	0.6
(Decrease)/increase in cash and cash equivalents	22	**(5.3)**	18.6
Net cash and cash equivalents at end of year	19	**19.8**	25.5

Group Statement of Changes in Equity

year ended 29 September 2017

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 30 September 2016	**4.1**	**198.9**	**110.5**	**(32.3)**	**281.2**	**4.4**	**285.6**
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	(45.3)	–	(45.3)	0.1	(45.2)
Tax on currency translation adjustment	–	–	–	0.1	0.1	–	0.1
Net investment hedge	–	–	25.8	–	25.8	–	25.8
Actuarial gain on Group legacy defined benefit pension schemes	–	–	–	30.1	30.1	–	30.1
Tax charge on Group legacy defined benefit pension schemes	–	–	–	(5.1)	(5.1)	–	(5.1)
Cash flow hedge transferred to equity	–	–	1.9	–	1.9	–	1.9
Cash flow hedge transferred to profit or loss	–	–	1.5	–	1.5	–	1.5
Tax on cash flow hedge	–	–	(0.1)	–	(0.1)	–	(0.1)
Profit for the financial year	–	–	–	12.2	12.2	1.7	13.9
Total recognised income and expense for the financial year	**–**	**–**	**(16.2)**	**37.3**	**21.1**	**1.8**	**22.9**
Employee share-based payments expense	–	–	3.5	–	3.5	–	3.5
Tax on share-based payments	–	–	–	0.1	0.1	–	0.1
Exercise, lapse or forfeit of share-based payments*	–	1.1	(4.5)	4.5	1.1	–	1.1
Issue of shares – rights issue*	2.9	436.7	–	–	439.6	–	439.6
Costs associated with the issue of shares	–	–	–	(13.0)	(13.0)	–	(13.0)
Shares acquired by Employee Benefit Trust[(A)]	–	–	(7.4)	–	(7.4)	–	(7.4)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust[(B)]	–	–	6.3	(6.3)	–	–	–
Dividends	0.1	11.1	–	(31.8)	(20.6)	(1.0)	(21.6)
At 29 September 2017	**7.1**	**647.8**	**92.2**	**(41.5)**	**705.6**	**5.2**	**710.8**

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 25 September 2015	4.1	191.6	112.7	11.2	319.6	3.4	323.0
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	27.4	–	27.4	0.7	28.1
Tax on currency translation adjustment	–	–	–	(0.3)	(0.3)	–	(0.3)
Net investment hedge	–	–	(25.7)	–	(25.7)	–	(25.7)
Actuarial loss on Group legacy defined benefit pension schemes	–	–	–	(59.8)	(59.8)	–	(59.8)
Tax credit on Group legacy defined benefit pension schemes	–	–	–	4.7	4.7	–	4.7
Cash flow hedge transferred to equity	–	–	2.3	–	2.3	–	2.3
Cash flow hedge transferred to Income Statement	–	–	(6.0)	–	(6.0)	–	(6.0)
Tax on cash flow hedge	–	–	(0.1)	–	(0.1)	–	(0.1)
Profit for the financial year	–	–	–	47.4	47.4	1.1	48.5
Total recognised income and expense for the financial year	–	–	(2.1)	(8.0)	(10.1)	1.8	(8.3)
Currency translation adjustment	–	–	–	–	–	0.1	0.1
Employee share-based payments expense	–	–	3.2	–	3.2	–	3.2
Tax on share-based payments	–	–	–	0.9	0.9	–	0.9
Exercise, lapse or forfeit of share-based payments*	–	1.1	(4.3)	4.3	1.1	–	1.1
Shares acquired by Employee Benefit Trust[(A)]	–	–	(13.8)	–	(13.8)	–	(13.8)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust[(B)]	–	–	14.8	(14.8)	–	–	–
Dividends	–	6.2	–	(25.9)	(19.7)	(0.9)	(20.6)
At 30 September 2016	4.1	198.9	110.5	(32.3)	281.2	4.4	285.6

* See Note 25.

Group Statement of Changes in Equity continued

year ended 29 September 2017

OTHER RESERVES

	Share options[(C)] £m	Own shares[(D)] £m	Capital redemption reserve[(E)] £m	Capital conversion reserve fund[(F)] £m	Hedging reserve[(G)] £m	Foreign currency translation reserve[(H)] £m	Total £m
At 30 September 2016	**7.6**	**(7.5)**	**117.0**	**0.8**	**(14.8)**	**7.4**	**110.5**
Items of income and expense taken directly to equity							
Currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**(45.3)**	**(45.3)**
Net investment hedge	**–**	**–**	**–**	**–**	**–**	**25.8**	**25.8**
Cash flow hedge taken to equity	**–**	**–**	**–**	**–**	**1.9**	**–**	**1.9**
Cash flow hedge transferred to Income Statement	**–**	**–**	**–**	**–**	**1.5**	**–**	**1.5**
Tax on cash flow hedge	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Total recognised income and expense for the financial period	**–**	**–**	**–**	**–**	**3.3**	**(19.5)**	**(16.2)**
Currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Employee share-based payments expense	**3.5**	**–**	**–**	**–**	**–**	**–**	**3.5**
Exercise, lapse or forfeit of share options	**(4.5)**	**–**	**–**	**–**	**–**	**–**	**(4.5)**
Shares acquired by Employee Benefit Trust[(A)]	**–**	**(7.4)**	**–**	**–**	**–**	**–**	**(7.4)**
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust[(B)]	**–**	**6.3**	**–**	**–**	**–**	**–**	**6.3**
At 29 September 2017	**6.6**	**(8.6)**	**117.0**	**0.8**	**(11.5)**	**(12.1)**	**92.2**

	Share options[(C)] £m	Own shares[(D)] £m	Capital redemption reserve[(E)] £m	Capital conversion reserve fund[(F)] £m	Hedging reserve[(G)] £m	Foreign currency translation reserve[(H)] £m	Total £m
At 25 September 2015	8.7	(8.5)	117.0	0.8	(11.0)	5.7	112.7
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	–	–	–	27.4	27.4
Net investment hedge	–	–	–	–	–	(25.7)	(25.7)
Cash flow hedge taken to equity	–	–	–	–	2.3	–	2.3
Cash flow hedge transferred to Income Statement	–	–	–	–	(6.0)	–	(6.0)
Tax on cash flow hedge	–	–	–	–	(0.1)	–	(0.1)
Total recognised income and expense for the financial period	–	–	–	–	(3.8)	1.7	(2.1)
Employee share-based payments expense	3.2	–	–	–	–	–	3.2
Exercise, lapse or forfeit of share options	(4.3)	–	–	–	–	–	(4.3)
Tax on share-based payments	–	–	–	–	–	–	–
Shares acquired by Employee Benefit Trust[(A)]	–	(13.8)	–	–	–	–	(13.8)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust[(B)]	–	14.8	–	–	–	–	14.8
At 30 September 2016	7.6	(7.5)	117.0	0.8	(14.8)	7.4	110.5

(A) The Employee Benefit Trust acquired 45,228 (2016: 43,175) shares in the Group with a combined value of £0.2m (2016: £0.2m) and a nominal value at the date of purchase of £0.0004m (2016: £0.0004m) through the Scrip Dividend Scheme and utilisation of dividend income. Pursuant to the terms of the Employee Benefit Trust 3,231,732 (2016: 3,908,0376) shares were purchased during the financial year ended 29 September 2017 at a cost of £7.2m (2016: £13.6m). The nominal value of these shares, on which dividends have not been waived by the Employee Benefit Trust was £0.0004m (2016: £0.0004m) at the date of purchase.

(B) During the year 2,105,187 (2016: 4,503,518) shares with a nominal value at the date of transfer of £0.0003m (2016: £0.0003m) were transferred to beneficiaries of the Annual Bonus Plan and the Performance Share Plan.

(C) The share-based payments reserve relates to equity settled share-based payments made to employees through the Performance Share Plan, the Annual Bonus Plan, ShareSave Scheme and the Executive Share Option Scheme. Further information in relation to these share-based payments schemes is set out in Note 6.

(D) The amount included as own share relates to Ordinary Shares in Greencore Group plc which are held in trust. The shares held in trust are granted to beneficiaries of the Group's share-based payment scheme when the relevant conditions of the scheme are satisfied.

(E) The Capital Redemption Reserve represents the nominal cost of cancelled shares.

(F) The Capital conversion reserve fund represents the amount transferred to reserves as a result of renominalising the share capital of Greencore Group plc on conversion to the euro.

(G) 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 affects the profit or loss.

(H) 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 29 September 2017

1. GROUP STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Group Financial Statements of Greencore Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') and their interpretations approved by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU') and those parts of the Companies Act 2014, applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

The accounting policies applied in the preparation of the Group Financial Statements for the year ended 29 September 2017 are set out below.

The IFRS adopted by the EU and applied by the Group in the preparation of these Financial Statements are those that were effective for the accounting period ending 29 September 2017.

BASIS OF PREPARATION

The Group Financial Statements, which are presented in sterling and rounded to the nearest million (unless otherwise stated), have been prepared under the historical cost convention, except where assets and liabilities are stated at fair value in accordance with relevant accounting policies.

The accounting policies set out below have been applied consistently by all the Group's subsidiaries and associates and have been consistently applied to all years presented, unless otherwise stated.

The preparation of the Group Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the Balance Sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best estimate of the amount, event or actions, actual results ultimately may differ from those estimates.

The Financial Statements of the Group are prepared to the Friday nearest to 30 September. Accordingly these Financial Statements are prepared for the 52 week period ended 29 September 2017. Comparatives are for the 53 week period ended 30 September 2016. The Balance Sheets for 2017 and 2016 have been prepared as at 29 September 2017 and 30 September 2016 respectively.

The profit attributable to equity shareholders dealt with in the Financial Statements of the Parent Company was £17.9m (2016: profit of £90.3m). In accordance with section 304 of the Companies Act 2014, Greencore Group Plc (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.

NEW STANDARDS AND INTERPRETATIONS

There are no changes to IFRS which became effective for the Group during the financial year which resulted in material changes to the Group's consolidated financial statements.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 29 September 2017 and have not been applied in preparing the Group Financial Statements. None of the standards are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9 *Financial Instruments* addressed the classification, measurement and recognition of financial assets and liabilities. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and has been completed in a number of stages with the final version issued by the IASB in July 2014. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is not expected to have a significant impact on the Group's consolidated financial statements. The Group will apply the standard for the reporting period commencing 1 October 2018.

IFRS 15 *Revenue from Contracts with Customers* specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group is currently evaluating the impact that IFRS 15 will have on its financial statements. The Group will apply the standard for the reporting period commencing 1 October 2018.

IFRS 16 *Leases* sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term of greater than a year. The Group is currently evaluating the impact that IFRS 16 will have on its financial statements. Refer to Note 28 for the Group's operating lease commitments. Subject to EU endorsement the Group will apply the standard from its effective date. IFRS 16 is expected to be endorsed by the EU in 2017 with an effective date of 1 January 2019.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the Group Financial Statements continued

year ended 29 September 2017

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION

The Group Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings, together with the Group's share of the results of associated undertakings.

SUBSIDIARIES

Subsidiary undertakings are included in the Group Financial Statements from the date on which control over the operating and financial policies is obtained, and cease to be consolidated from the date on which control is transferred out of the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All inter-group transactions, balances and unrealised gains on transactions between Group undertakings are eliminated on consolidation. Unrealised losses are also eliminated except where they provide evidence of impairment.

ASSOCIATES

An associate is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or a jointly controlled entity.

The Group's share of the results, assets and liabilities of an associate are included in the Group Financial Statements using the equity method of accounting. Under the equity method of accounting, the investment in the associate is carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received, less any impairments in the value of the investment.

The Group Income Statement reflects the Group's share of the results after tax of the associate. The Group Statement of Recognised Income and Expense reflects the Group's share of any income and expense recognised by the associate outside of profit or loss.

REVENUE RECOGNITION

Revenue represents the fair value of the sale of goods and rendering of services to external customers, net of trade discounts and value added tax in the ordinary course of the Group's activities. The Group provides trade discounts, primarily in the form of rebate arrangements or other incentive arrangements, to its customers. The arrangements can take the form of volume related rebates, marketing fund contributions, promotional fund contributions or lump sum incentives. The Group recognises revenue net of such discounts over the period to which the arrangement applies.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, which generally arises on delivery or in accordance with specific terms and conditions agreed with customers. Revenue from the rendering of services is recognised in the period in which the services are rendered on the basis of services provided.

The Group maintains a capital recovery program with certain customers. The capital recovery program represents a contractual arrangement with customers to compensate the Group for certain capital expenditure and related installation costs. The Group accounts for equipment and leasehold improvements purchased under these arrangements as revenue recognised over the term of the lease. The Group also receives consideration from its customers for certain leasehold improvements made to the Group's facilities. The reimbursement for these expenditures is recognised as revenue over the estimated economic life of the related contract. Arrangements that include leases are multiple element arrangements with one element being packaging services and the other element being the lease of property and equipment. Revenue is allocated to each element based on its relative selling price and recognised in accordance with the Group's policy for packaging services and operating leases.

SUPPLIER REBATES

The Group enters into rebate arrangements with its suppliers. The arrangements are primarily volume related. Supplier rebates received are recognised primarily as a deduction from cost of sales, based on the entitlement that has been earned up to the Balance Sheet date, for each relevant supplier arrangement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at cost less depreciation and any impairments. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs.

Depreciation is provided so as to write off the cost less residual value of each item of property, plant and equipment during its expected useful life using the straight-line method over the following periods:

Freehold and long leasehold buildings	25–50 years
Plant, machinery, equipment, fixtures and fittings	3–25 years
Freehold land is not depreciated	

Useful lives and residual values are reassessed annually.

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 indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. Following the recognition or reversal of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Gains or losses on the disposal of property, plant and equipment represent the difference between the net proceeds and the carrying value at the date of sale.

ASSETS HELD UNDER LEASES

FINANCE LEASES

Leases of property, plant and equipment, where the Group obtains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest charge on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings, allocated between current and non-current as appropriate. The interest element of the finance cost is charged to the profit or loss over the lease period. Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term, taking into account the time period over which benefits from the leased assets are expected to accrue to the Group.

OPERATING LEASES

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the profit or loss on a straight-line basis over the period of the lease. Income earned from operating leases is credited to the profit or loss when earned.

BUSINESS COMBINATIONS

The purchase method of accounting is used in accounting for the acquisition of businesses. In accordance with IFRS 3 Business Combinations, the fair value of the consideration for a business combination is measured as the aggregate of the fair values at the date of exchange of assets given and liabilities incurred or assumed in exchange for control. The assets, liabilities and contingent liabilities of the acquired entity are measured at their fair values at the date of acquisition. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within 12 months of the acquisition date and are effected from the date of acquisition.

Where a business combination agreement provides for an adjustment to the cost of a business acquired contingent on future events, the Group accrues the fair value of the additional consideration payable as a liability at the acquisition date where this can be measured reliably. This amount is reassessed at each subsequent Balance Sheet date with any adjustments to the liability recognised in the profit or loss.

To the extent that deferred purchase consideration and earn-out obligations are payable after one year from the date of acquisition, they are discounted at an appropriate interest rate and, accordingly, are carried at net present value in the Group Balance Sheet. An appropriate interest charge, at a constant interest rate on the carrying amount, adjusted to reflect material conditions, is reflected in the profit or loss over the earn-out period, increasing the value of the provision so that the obligation will reflect its settlement value at the time of maturity.

Transaction costs are expensed as incurred.

GOODWILL

Goodwill represents the difference between the fair value of the consideration given over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Any excess of the fair value of the net assets acquired over the fair value of the consideration given (i.e. discount on acquisition) is credited to the profit or loss in the period of acquisition.

Notes to the Group Financial Statements continued

year ended 29 September 2017

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

GOODWILL CONTINUED

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. On acquisition, goodwill is allocated to cash-generating units expected to benefit from the combination's synergies. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the profit or loss.

Goodwill arising on investments in associates is included in the carrying amount of the investment and any impairment of the goodwill is included in income from associates.

ACQUISITION RELATED INTANGIBLE ASSETS

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, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amounts of definite-lived 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 definite-life 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 1–10 years.

COMPUTER SOFTWARE

Costs incurred on the acquisition of computer software and software licences are capitalised. Other costs directly associated with developing and upgrading computer software programs are capitalised once the recognition criteria set out in IAS 38 *Intangible Assets* are met. Computer software is amortised over 5–7 years.

INVESTMENT PROPERTY

Investment property is shown at cost less depreciation and any impairment. The cost of investment property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Investment property is depreciated so as to write off the cost, less residual value, on a straight-line basis over the expected life of each property. Freehold buildings held as investment property are depreciated over their expected useful life, normally assumed to be 40–50 years. Freehold land is not depreciated.

Rental income arising on investment property is accounted for on a straight-line basis over the lease term of the ongoing leases and is recognised within other income.

In relation to the recognition of income on the disposal of property, income is recognised when there is an unconditional exchange of contracts, or when all necessary terms and conditions have been fulfilled.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is calculated based on first-in, first-out or weighted average as appropriate. Cost includes raw materials, direct labour expenses and related production and other overheads. Net realisable value is the estimated selling price, in the ordinary course of business, less costs to completion and appropriate selling and distribution expenses.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost, net of provision for impairment. A provision is made when there is objective evidence that the Group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Any trade and other receivables included in non-current assets are carried at amortised cost in accordance with the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially recognised at fair value and subsequently carried at amortised cost. Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have an original maturity of three months or less.

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

TRADE AND OTHER PAYABLES

Trade and other payables are initially recorded at fair value and subsequently at the higher of cost or payment or settlement amounts. Where the time value of money is material, payables are initially recorded at fair value and subsequently carried at amortised cost.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in the profit or loss net of any reimbursement.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

BORROWINGS

All loans and borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the settlement or cancellation of liabilities are recognised in finance income and finance costs as appropriate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested and the unwind of discount on assets. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, unwind of discount on liabilities, interest on the net defined benefit pension scheme liabilities, changes in fair value of hedging instruments and other derivatives that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

A financial asset is derecognised when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the asset is sold or the rights to receive cash flows from the asset have expired, and the Group has not retained substantially all risks and rewards of ownership and has transferred control of the asset.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the recognition of a new liability.

DERIVATIVE FINANCIAL INSTRUMENTS

The activities of the Group expose it to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments, such as forward foreign exchange contracts, cross currency swaps and interest rate swap agreements, to hedge these exposures.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments which are held for trading and are not designated as effective hedging instruments are classified as a current asset or liability (as appropriate) regardless of maturity if the Group expects that they may be settled within 12 months of the Balance Sheet date. All other derivative instruments that are not designated as effective hedging instruments are classified by reference to their maturity date. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

Notes to the Group Financial Statements continued

year ended 29 September 2017

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

The fair value of derivative instruments is determined by using valuation techniques. The Group uses its judgement to select the most appropriate valuation methods and makes assumptions that are mainly based on observable market conditions existing at the Balance Sheet date.

For those derivatives designated as hedges and for which hedge accounting is sought, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how hedge effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair values or cash flows of hedged items.

For the purposes of hedge accounting, derivatives are classified as:

- Fair value hedges, when hedging the exposure of changes in the fair value of a recognised asset or liability; or
- Cash flow hedges, when hedging the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction; or
- Net investment hedges, when hedging the exposure to foreign currency differences between the functional currency of a foreign operation and the functional currency of the parent.

Any gains or losses arising from changes in the fair value of all other derivatives which are classified as held for trading are taken to the profit or loss and charged to finance income or expense. These may arise from derivatives for which hedge accounting is not applied because they are not designated as hedging instruments. The Group does not use derivatives for trading or speculative purposes.

The treatment of gains and losses arising from remeasuring derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

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 Group Statement of Recognised Income and Expense or directly in equity, in which case the tax is also recognised in the Group Statement of Recognised Income and Expense or directly in equity, respectively.

Current tax payable represents the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the Balance Sheet date, along with any adjustment to tax payable in respect of previous years.

The Group provides in full for deferred tax assets and liabilities (using the liability method), arising from temporary differences between the tax base of assets and liabilities and their carrying amounts in the Group Financial Statements except where they arise from the initial recognition of goodwill or from the initial recognition of an asset or liability that at the date of initial recognition does not affect accounting or taxable profit or loss on a transaction that is not a business combination. Such differences result in an obligation to pay more tax or a right to pay less tax in future periods. A deferred tax asset is only recognised where it is probable that future taxable profits will be available against which the temporary differences giving rise to the asset can be utilised.

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

TAXATION CONTINUED

Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are enacted or substantively enacted at the Balance Sheet date.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Once it has been concluded that a liability needs to be recognised, the liability is measured. We consider the range of possible outcomes and record a liability based on the most likely single outcome, rather than alternative approaches which could include a weighted average probability of outcomes or an 'all or nothing' approach.

EMPLOYEE BENEFITS

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

RETIREMENT BENEFIT OBLIGATIONS

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.

LEGACY DEFINED BENEFIT PENSION PLANS

The cost of providing benefits under the Group's legacy defined benefit pension plans is determined separately for each plan, using the projected unit credit method, by professionally qualified actuaries and arrived at using actuarial assumptions based on market expectations at the Balance Sheet date. These valuations attribute entitlement benefits to the current period (to determine current service cost), and to the current and prior periods (to determine 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 Group Balance Sheet with a corresponding debit or credit to retained earnings through the Group Statement of Recognised Income and Expense in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net legacy defined benefit pension liability or asset.

When a settlement (eliminating all obligations for defined benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the profit or loss during the period in which the settlement or curtailment occurs.

The legacy defined benefit pension asset or liability in the Group Balance Sheet comprises the total, for each plan, of the present value of the defined benefit pension obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net defined 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.

Notes to the Group Financial Statements continued

year ended 29 September 2017

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

EMPLOYEE SHARE-BASED PAYMENTS

The Group grants equity settled share-based payments to employees (through the Performance Share Plan, the Annual 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 a trinomial valuation model, as measured at the date of grant, excluding the impact of any non-market conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the Group revises its estimates of the number of options or awards that are expected to vest, recognising any adjustment in the profit or loss, with a corresponding adjustment to equity.

To the extent that the Group receives a tax deduction relating to services paid for by means of share awards or options, deferred tax is provided on the basis of the difference between the market price of the underlying equity as at the date of the Balance Sheet and the exercise price of the option. As a result, the deferred tax impact of share options will not directly correlate with the expense reported in the profit or loss. To the extent that the deductible difference exceeds the cumulative charge to the profit or loss, it is recorded in the Group Statement of Recognised Income and Expense.

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, net of directly attributable transaction costs.

FOREIGN CURRENCY

FUNCTIONAL AND PRESENTATION 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 Balance Sheet of Group entities that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the Balance Sheet;
- Income and expenses are translated at the rates at the date of the transaction, normally estimated using average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and on long-term borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

GOVERNMENT GRANTS

Government grants for the acquisition of assets are recognised at their fair value when there is reasonable assurance that the grant will be received and any conditions attached to them have been fulfilled. The grant is held on the Group Balance Sheet as a deferred credit and released to the profit or loss over the periods necessary to match the related depreciation charges, or other expenses of the asset, as they are incurred.

RESEARCH AND DEVELOPMENT

Expenditure on research and development is recognised as an expense in the period in which it is incurred. An asset is recognised only when all the conditions set out in IAS 38 *Intangible Assets* are met.

SEGMENTAL REPORTING

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. The Group has identified two reportable segments: (i) Convenience Foods UK and Ireland; and (ii) Convenience Foods US. Refer to Note 2 for further information.

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

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, the 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 Group Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

NON-CONTROLLING INTERESTS

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 unless the parent has undertaken to fund their losses.

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.

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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Group management makes estimates and assumptions concerning the future in the preparation of the Group Financial Statements, which can significantly impact the reported amounts of assets and liabilities. The significant estimates and assumptions used in the preparation of the Group's Financial Statements are outlined in the relevant notes.

2. SEGMENT INFORMATION

Following the significant acquisition of Peacock Foods which completed on 30 December 2016, the Group has 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 Operation Decision Maker (as defined by IFRS 8 *Operating Segments*). As a result, the Group has revised its operating segments and comparative segment amounts for 2016 have been restated where necessary to reflect the new format for segmentation.

The Group now reports across the following operating segments:

Convenience Foods UK & Ireland: incorporating Food to Go (i.e. sandwich, sushi and salad) and the other parts of the Convenience Foods UK & Ireland division which comprise the ready meals, chilled soups and sauces, cooking sauces, quiche, Yorkshire Pudding and cakes and desserts businesses as well the Irish ingredient trading businesses.

Convenience Foods US: comprising the total combined US business including the acquired Peacock Foods business, manufacturing convenience food products for many of the largest food brands, convenience retail and food service leaders in the US. Convenience Foods US produces a wide range of fresh, frozen and ambient products including sandwiches, meal kits and salad kits.

The Chief Operating Decision Maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit before exceptional items and amortisation of acquisition related intangible assets. Exceptional items, net finance costs and income tax are managed on a centralised basis and therefore, these items are not allocated between operating segments for the purposes of the information presented to the Chief Operating Decision Maker and are accordingly reconciled to the segmental information below. Intersegment revenue is not material.

Notes to the Group Financial Statements continued

year ended 29 September 2017

2. SEGMENT INFORMATION CONTINUED

	Convenience Foods UK & Ireland		Convenience Foods US		Total	
	2017 £m	2016 (As restated)* £m	**2017 £m**	2016 (As restated)* £m	**2017 £m**	2016 £m
Revenue	**1,438.4**	1,258.8	**881.3**	223.1	**2,319.7**	1,481.9
Group operating profit before exceptional items and amortisation of acquisition related intangible assets	**106.8**	104.1	**33.3**	(2.1)	**140.1**	102.0
Amortisation of acquisition related intangible assets	**(4.2)**	(4.2)	**(15.0)**	(5.0)	**(19.2)**	(9.2)
Exceptional items	**(53.2)**	(13.6)	**(25.0)**	(3.8)	**(78.2)**	(17.4)
Group operating profit	**49.4**	86.3	**(6.7)**	(10.9)	**42.7**	75.4
Finance income					**–**	0.1
Finance costs					**(31.0)**	(28.0)
Share of profit of associates after tax					**0.7**	0.7
Profit before taxation					**12.4**	48.2

* Restated to reflect the realignment of operating segments.

	Convenience Foods UK & Ireland		Convenience Foods US		Total	
	2017 £m	2016 (As restated)* £m	**2017 £m**	2016 (As restated)* £m	**2017 £m**	2016 £m
Segment assets						
Assets	**991.0**	951.3	**915.3**	200.5	**1,906.3**	1,151.8
Reconciliation to total assets as reported in the Group Balance Sheet						
Deferred tax assets					**93.5**	60.1
Cash and cash equivalents					**19.8**	25.5
Derivative financial instruments					**0.3**	0.8
Investments in associates					**1.2**	1.0
Retirement benefit asset					**17.3**	16.7
Total assets as reported in the Group Balance Sheet					**2,038.4**	1,255.9

* Restated to reflect the realignment of operating segments.

	Convenience Foods UK & Ireland		Convenience Foods US		Total	
	2017 £m	2016 (As restated)* £m	**2017 £m**	2016 (As restated)* £m	**2017 £m**	2016 £m
Segment liabilities						
Liabilities	**361.1**	336.5	**92.7**	26.7	**453.8**	363.2
Reconciliation to total liabilities as reported in the Group Balance Sheet						
Borrowings (current and non-current)					**539.0**	357.3
Derivative financial instruments (current and non-current)					**14.3**	23.3
Provisions (current and non-current)					**38.2**	10.0
Declared interim dividend					**14.8**	10.5
Interest payable					**3.6**	4.2
Retirement benefit obligations					**142.1**	179.0
Income tax liabilities (current and deferred)					**121.8**	22.8
Total liabilities as reported in the Group Balance Sheet					**1,327.6**	970.3

* Restated to reflect the realignment of operating segments.

2. SEGMENT INFORMATION CONTINUED
OTHER SEGMENT INFORMATION

	Convenience Foods UK & Ireland		Convenience Foods US		Total	
	2017 £m	2016 (As restated)* £m	**2017 £m**	2016 (As restated)* £m	**2017 £m**	2016 £m
Continuing operations						
Capital expenditure	**88.9**	85.7	**26.9**	18.2	**115.8**	103.9
Depreciation	**31.2**	28.5	**13.9**	4.2	**45.1**	32.7
Amortisation of computer software and other intangibles	**3.6**	3.1	**0.9**	0.6	**4.5**	3.7
Amortisation of acquisition related intangible assets	**4.2**	4.2	**15.0**	5.0	**19.2**	9.2
Non-current assets (excluding derivative financial instruments, retirement benefit assets and deferred tax assets)	**774.5**	761.3	**796.3**	168.2	**1,570.8**	929.5

* Restated to reflect the realignment of operating segments.

3. OPERATING COSTS, NET

	2017 £m	2016 £m
Distribution costs	**73.1**	62.8
Administrative expenses	**407.3**	302.2
Research and development	**4.9**	4.3
Other operating costs	**1.6**	2.5
Other operating income	**(1.6)**	(1.4)
Total operating costs pre-exceptional, net	**485.3**	370.4
Exceptional charge (Note 7)	**78.2**	17.4
Total operating costs, net	**563.5**	387.8

Notes to the Group Financial Statements continued

year ended 29 September 2017

4. INCOME STATEMENT DISCLOSURES

The result for the financial year has been arrived at after charging/(crediting) the following amounts:

	2017 £m	2016 £m
Depreciation:		
Owned assets	**44.0**	32.6
Assets held under finance lease	**1.1**	0.1
	45.1	32.7
Amortisation of intangible assets	**23.7**	12.9
Operating lease rentals:		
Premises, plant and equipment	**20.9**	13.9
Rental income from investment properties	**(0.1)**	(0.1)
	£'000	£'000
Auditor's remuneration		
Fees paid to the lead audit firm:		
Audit of the Group financial statements	**905**	635
Audit of subsidiary financial statements	**60**	60
Other non-audit services	**647**	350
	1,612	1,045
Fees paid to other firms in the lead audit firms network:		
Other non-audit services	**–**	547
	–	547
Total	**1,612**	1,592

Directors' remuneration is shown in the Report on Directors' Remuneration and in Note 32.

In FY17 non-audit fees in the sum of £647k (2016: £897k) were incurred by the Group relating to the auditor fulfilling the role of reporting accountant on the acquisition of Peacock Foods.

5. EMPLOYMENT

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

	2017 Number	2016 Number
Production	**12,496**	9,488
Distribution	**1,166**	1,065
Administration	**1,542**	1,303
	15,204	11,856

The staff costs for the year for the above employees were:

	2017 £m	2016 £m
Wages and salaries	**369.6**	270.8
Social welfare costs	**30.8**	24.2
Employee share-based payment expense (Note 6)	**3.5**	3.2
Pension costs – defined contribution plans (Note 24)	**7.5**	7.3
Pension – settlement gain (Note 24)	**(0.7)**	–
	410.7	305.5
Legacy defined benefit interest cost (Note 24)	**3.9**	4.4
	414.6	309.9

Total staff costs capitalised during the year were £7.2m (2016: £6.9m).

Actuarial gain/(loss) on Group defined benefit schemes recognised in the Group Statement of Recognised Income and Expense:

	2017 £m	2016 £m
Return on plan assets (Note 24)	**(10.1)**	60.7
Actuarial losses arising on scheme liabilities (Note 24)	**40.2**	(120.5)
Total gain/(loss) included in the Group Statement of Recognised Income and Expense	**30.1**	(59.8)

6. SHARE-BASED PAYMENTS

The Group operates a number of employee share option 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 options granted as set out in the standard. The charge incurred relating to these options is recognised within operating costs. Detail of each of the employee share option schemes operated by the Group are set out below:

ANNUAL BONUS PLAN

Senior Executives participate in the Annual Bonus Plan as outlined in the Report on Directors' Remuneration. In accordance with this plan, a deferred share award equal to a proportion of the cash bonus is awarded to the participating executives, the number of shares is calculated at market value on the date of allocation, to be held by a trustee for the benefit of individual participants without any additional performance conditions other than three years of service. The shares vest after three years but are forfeit should an executive voluntarily leave the Group within the three year time period, subject to normal 'good leaver' provisions. The charge recognised in the Group Income Statement was £1.6m (2016: £1.1m). 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 2016, was £2.43.

On 1 December 2016 and 1 December 2015, 599,359 and 447,853 respectively, awards were granted to Senior Executives of the Group under the Annual Bonus Plan.

Notes to the Group Financial Statements continued

year ended 29 September 2017

6. SHARE-BASED PAYMENTS CONTINUED

ANNUAL BONUS PLAN CONTINUED

The following table illustrates the number of, and movements in, share awards during the year under the plan:

	2017 Number outstanding	2016 Number outstanding
At beginning of year	**1,836,020**	3,328,848
Granted	**599,359**	447,853
Exercised	**(804,697)**	(1,940,681)
Forfeited	**(197,820)**	–
Adjustment in respect of rights issue*	**179,844**	–
At end of year	**1,612,706**	1,836,020
Exercisable at end of year	**–**	–

* The number of options outstanding and their exercise prices were adjusted for the effect of the rights issue so that holders of options remain in the same position as they would have been before the rights issue.

Awards will be granted to Senior Executives of the Group under the Annual Bonus Plan in respect of the year ended 29 September 2017. A charge amounting to £0.1m (2016: £0.1m) relating to awards to Executive Directors and £0.4m (2016: £0.2m) relating to awards to other Senior Executives has been included in the Group Income Statement in respect of the estimated 2017 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 for growth in Return on Invested Capital and in earnings per share. The number of shares granted is calculated based on the market value on the date of allocation. Share options are forfeit should an executive voluntarily leave the Group prior to the vesting date, subject to normal 'good leaver' provisions. The fair value of the award is equal to the share price on the grant date. Further description of the scheme can be found in the Report on Directors' Remuneration. A charge amounting to £1.2m (2016: £2.5m) was included in the Group Income Statement in the 2017 financial year related to these awards.

The following table illustrates the number of, and movements in, share options during the year under the plan:

	2017 Number outstanding	2016 Number outstanding
At beginning of year	**4,417,763**	5,931,276
Granted	**2,686,426**	1,499,538
Exercised	**(1,213,953)**	(2,569,169)
Expired	**–**	(231,000)
Forfeited	**(966,673)**	(212,882)
Adjustment in respect of rights issue*	**482,756**	–
At end of year	**5,406,319**	4,417,763
Exercisable at end of year	**–**	–

* The number of options outstanding and their exercise prices were adjusted for the effect of the rights issue so that holders of options remain in the same position as they would have been before the rights issue.

SHARESAVE SCHEMES

The Group operates savings-related share option schemes in both the UK and Ireland. Options are granted at a discount of between 20% and 25% of the market price at the date of invitation over three, five and seven year savings contracts and options are exercisable during the six month period following completion of the savings contract. The charge recognised in the Group Income Statement in respect of these options was £0.7m (2016: £0.7m). Grant date fair value was arrived at through applying a trinomial model, which is a lattice option-pricing model.

During the year ended 29 September 2017, ShareSave Scheme options were granted over 2,410,569 shares (UK) and 30,429 shares (Ireland), which will ordinarily be exercisable at an exercise price of £1.98 and €2.11 per share respectively, during the period 1 September 2020 to 28 February 2021. The weighted average fair value of share options granted during the year ended 29 September 2017 was £0.62 (UK) and £0.66 (Ireland).

During the year ended 30 September 2016, ShareSave Scheme options were granted over 1,062,107 shares (UK) and 23,618 shares (Ireland), which will ordinarily be exercisable at an exercise price of £2.64 and €3.14 per share respectively, during the period 1 September 2019 to 29 February 2020. The weighted average fair value of share options granted during the year ended 30 September 2016 was £0.86 (UK) and £0.96 (Ireland).

6. SHARE-BASED PAYMENTS CONTINUED

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:

	2017		2016	
	Number outstanding	**Weighted average exercise price £**	Number outstanding	Weighted average exercise price £
At beginning of year	**3,192,526**	**2.49**	3,734,125	1.88
Granted	**2,410,569**	**1.98**	1,062,107	2.64
Exercised	**(690,501)**	**1.65**	(1,275,748)	0.87
Expired	**(30,601)**	**1.29**	–	–
Forfeited	**(415,321)**	**2.09**	(327,958)	2.33
Adjustment in respect of rights issue*	**481,474**	**2.03**	–	–
At end of year	**4,948,146**	**2.04**	3,192,526	2.49
Exercisable at end of year	**231,452**	**1.88**	152,428	1.07

* The number of options outstanding and their exercise prices were adjusted for the effect of the rights issue so that holders of options remain in the same position as they would have been before the rights issue.

RANGE OF EXERCISE PRICES FOR THE UK SHARESAVE SCHEME (EXPRESSED IN STERLING)

	Number outstanding	**Weighted average contract life years**	**Weighted average exercise price £**	**Number exercisable**	**Weighted average exercise price £**
At 29 September 2017					
£0.01–£1.00	**2,206**	**0.26**	**0.59**	**2,206**	**0.59**
£1.01–£2.00	**2,606,637**	**3.01**	**1.97**	**229,246**	**1.89**
£2.01–£3.00	**2,339,303**	**1.72**	**2.12**	**–**	**–**
	4,948,146	**2.40**	**2.04**	**231,452**	**1.88**
At 30 September 2016					
£0.01–£1.00	18,798	0.98	0.70	5,186	0.69
£1.01–£2.00	147,242	–	1.08	147,242	1.08
£2.01–£3.00	3,026,485	2.36	2.56	–	–
	3,192,525	2.24	2.48	152,428	1.07

Notes to the Group Financial Statements continued

year ended 29 September 2017

6. SHARE-BASED PAYMENTS CONTINUED

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:

	2017		2016	
	Number outstanding	**Weighted average exercise price €**	Number outstanding	Weighted average exercise price €
At beginning of year	**80,781**	**2.62**	88,303	1.86
Granted	**30,429**	**2.11**	23,618	3.14
Exercised	**(23,825)**	**0.99**	–	–
Expired	**–**	**–**	(26,217)	0.69
Forfeited	**(14,214)**	**2.29**	(4,923)	1.84
Adjustment in respect of rights issue*	**17,425**	**2.15**	–	–
At end of year	**90,596**	**2.43**	80,781	2.62
Exercisable at end of year	**11,617**	**2.18**	19,597	1.20

* The number of options outstanding and their exercise prices were adjusted for the effect of the rights issue so that holders of options remain in the same position as they would have been before the rights issue.

RANGE OF EXERCISE PRICES FOR THE IRISH SHARESAVE SCHEME (EXPRESSED IN EURO)

	Number outstanding	Weighted average contract life years	Weighted average exercise price €	Number exercisable	Weighted average exercise price €
At 29 September 2017					
€2.01–€3.00	**90,596**	**2.04**	**2.43**	**11,617**	**2.18**
	90,596	**2.04**	**2.43**	**11,617**	**2.18**
At 30 September 2016					
€1.01–€2.00	19,597	0.25	1.20	19,597	1.20
€2.01–€3.00	16,382	1.25	2.65	–	–
€3.01–€4.00	44,802	2.78	3.23	–	–
	80,781	1.86	2.62	19,597	1.20

6. SHARE-BASED PAYMENTS CONTINUED

EXECUTIVE SHARE OPTION SCHEME

The charge relating to the Executive Share Option Scheme recognised in the Group Income Statement for the year was £nil (2016: £nil). Grant date fair value was arrived at through applying a trinomial model, which is a lattice option-pricing model. To the extent that options have vested, they will ordinarily remain exercisable for a period up to ten years from the date of grant and are settled in equity through the issue of shares once exercised.

The general terms and conditions applicable to the share options granted by the Group are addressed in the Report on Directors' Remuneration. All conditions are non-market based.

The Executive Share Option Scheme expired in 2011 and no further options have been granted under this scheme.

The following table illustrates the number and weighted average exercise prices (expressed in euro) of, and movements in, share options during the year under the plan:

	2017		2016	
	Number outstanding	**Weighted average exercise price €**	Number outstanding	Weighted average exercise price €
At beginning of year	**257,533**	**2.33**	257,533	2.33
Expired	**(153,054)**	**3.19**	–	–
Adjustment in respect of rights issue*	**55,582**	**1.92**	–	–
At end of year	**160,061**	**0.69**	257,533	2.33
Exercisable at end of year	**160,061**	**0.69**	257,533	2.33

* The number of options outstanding and their exercise prices were adjusted for the effect of the rights issue so that holders of options remain in the same position as they would have been before the rights issue.

The weighted average exercisable price does not include any options which have an exercise price in excess of the closing quoted Greencore plc share price as at 29 September 2017.

RANGE OF EXERCISE PRICES FOR THE EXECUTIVE SHARE OPTION SCHEME

	Number outstanding	**Weighted average contract life years**	**Weighted average exercise price €**	**Number exercisable**
At 29 September 2017				
€0.01–€1.00	**160,061**	**3.25**	**0.69**	**160,061**
	160,061	**3.25**	**0.69**	**160,061**
At 30 September 2016				
€0.01–€1.00	75,000	5.18	0.64	75,000
€1.01–€2.00	56,648	3.00	1.11	56,648
€2.01–€4.00	125,885	0.84	3.88	125,885
	257,533	2.58	2.33	257,533

Notes to the Group Financial Statements continued

year ended 29 September 2017

6. **SHARE-BASED PAYMENTS** CONTINUED

WEIGHTED AVERAGE ASSUMPTIONS USED TO VALUE THE SHARE SCHEMES

The fair value of awards granted under the Annual Bonus Plan and the Performance Share Plan is equal to the share price on the grant date. The following tables show the weighted average assumptions used to fair value the equity settled options granted in the ShareSave Schemes.

	Ireland 2017 ShareSave 3 year	**UK 2017 ShareSave 3 year**
Dividend yield (%)	**3.00%**	**3.00%**
Expected volatility (%)	**31.31%**	**31.31%**
Risk-free interest rate (%)	**-0.44%**	**0.41%**
Expected life of option (years)	**3**	**3**
Share price at grant (€/£)	**€2.81**	**£2.46**
Exercise price (€/£)	**€2.11**	**£1.98**
Fair value (€/£)	**€0.75**	**£0.62**

	Ireland 2016 ShareSave 3 year	UK 2016 ShareSave 3 year
Dividend yield (%)	1.87%	1.87%
Expected volatility (%)	29.0%	29.0%
Risk-free interest rate (%)	0.5%	0.5%
Expected life of option (years)	3	3
Share price at grant (€/£)	€3.93	£3.30
Exercise price (€/£)	€2.58	£2.17
Fair value (€/£)	€1.10	£0.86

The average share price during the 2017 financial year was £2.38 (2016: £3.41).

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 £1.87–£2.77 (2016: £2.73–£3.92).

7. EXCEPTIONAL ITEMS

Exceptional items are those which, in management's judgement, should be disclosed separately by virtue of their nature or amount. Such items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

The Group reports the following exceptional items:

		2017 £m	2016 £m
Impairment of intangible asset	(a)	**(29.7)**	–
Business exit costs	(b)	**(16.5)**	–
Transaction costs	(c)	**(15.6)**	(4.1)
Integration and reorganisation costs	(d)	**(11.2)**	(6.6)
Pre-commissioning and start-up costs	(e)	**(4.1)**	(2.7)
Legal settlement	(f)	**(1.1)**	–
Remediation costs	(g)	**–**	(4.0)
		(78.2)	(17.4)
Tax on exceptional items	(h)	**8.9**	1.5
Total exceptional expense		**(69.3)**	(15.9)

7. EXCEPTIONAL ITEMS CONTINUED

(a) Impairment of Intangible Assets

In the period, the Group recognised a charge of £29.7m relating to the impairment of software assets, associated with the decision not to proceed with the planned rollout of a common ERP platform across the UK business.

(b) Business Exit Costs

In the period, the Group recognised a charge of £16.5m relating to business exit costs associated with the prospective exit from desserts manufacturing at the Group's Evercreech facility.

(c) Transaction Costs

In the period, the Group recognised a charge of £15.6m comprising transaction costs relating to acquisitions during the current financial year, of which £15.2m relates to the acquisition of Peacock Foods on 30 December 2016 and £0.4m relates to the acquisition of a sandwich manufacturing facility near Heathrow on 26 June 2017.

The Group recognised a £4.1m charge in the 2016 financial year in relation to the transaction costs associated with the acquisition of The Sandwich Factory Holdings Limited in the UK and the acquisition of Peacock Foods in the US.

(d) Integration and Reorganisation Costs

In the period, the Group recognised a charge of £11.2m in relation to integration and reorganisation costs in the current financial year, of which £9.3m relates to the acquisition of Peacock Foods, £0.4m relates to completion of the integration of The Sandwich Factory Holdings Limited in the UK and £1.5m relates to cost associated with streamlining the management structure within Convenience Foods UK & Ireland.

In the prior year the Group recognised a £6.6m charge for the reorganisation costs in the UK business in the year.

(e) Pre-Commissioning and Start Up Costs

In the period, the Group recognised a £4.1m charge in the 2017 financial year, in relation to the pre-commissioning and start-up costs relating to significant plant development and related onboarding of new business at its facilities in Northampton and Warrington in the UK and Carol Stream in the US.

In the prior year, the Group recognised a £2.7m charge in relation to pre-commissioning and start-up costs.

(f) Legal Settlement

In the period, the Group incurred a charge of £1.1m in respect of a legal settlement and related costs in connection with a tragic incident which occurred at one of its UK facilities in 2013.

(g) Remediation Costs

In the prior year the Group recognised a £4.0m charge in relation to remediation costs associated with its former sugar processing sites.

(h) Tax

In the period, the Group recognised a tax credit of £8.9m in respect of exceptional charges, as set out in Note 10.

CASH FLOW ON EXCEPTIONAL ITEMS

The total cash outflow during the year in respect of exceptional charges was £33.7m (2016: £9.9m), of which £5.0m (2016: £1.7m) was in respect of prior year exceptional charges.

Notes to the Group Financial Statements continued

year ended 29 September 2017

8. FINANCE COSTS AND FINANCE INCOME

	2017 £m	2016 £m
Finance Costs		
Bank overdrafts and other financing costs	**13.5**	9.2
Other borrowings	**10.3**	7.7
Interest on obligations under finance leases	**0.2**	0.2
Interest on legacy defined benefit pension scheme liabilities (Note 24)	**3.9**	4.4
Unwind of discount on non-current payables	**0.3**	–
Fair value movement on hedged financial liabilities (Note 22)	**–**	(7.6)
Fair value movement on fair value hedges (Note 22)	**–**	7.2
Fair value movement on interest rate swaps not designated as hedges	**(0.7)**	0.6
Fair value movement on forward foreign exchange contracts not designated as hedges	**0.5**	(0.8)
Foreign exchange on inter-company and external balances where hedge accounting is not applied	**3.0**	7.1
	31.0	28.0
Finance Income		
Unwind of discount on non-current receivables	**–**	(0.1)
	–	(0.1)
Net finance expense recognised in the Group Income Statement	**31.0**	27.9
Recognised Directly in Equity		
Currency translation adjustment	**(45.2)**	28.1
Hedge of net investment in foreign operations	**25.8**	(25.7)
Effective portion of changes in fair value of cash flow hedges	**1.9**	2.3
	(17.5)	4.7

Interest costs capitalised in the year were £1.8m (2016: £1.3m).

9. INVESTMENT IN ASSOCIATES

The following table summarises the financial information of the Group's associates as included in their own financial statements:

	2017 £m	2016 £m
Associates' Income Statement		
Revenue	**8.5**	9.0
Profit before finance costs	**1.8**	1.7
Profit before taxation	**1.8**	1.7
Taxation	**(0.4)**	(0.3)
Profit after taxation	**1.4**	1.4
Group's share of profit after tax (50%)	**0.7**	0.7

	2017 £m	2016 £m
Associates' Balance Sheet		
Current assets	**2.9**	3.8
Non-current assets	**0.1**	0.1
Current liabilities	**(0.4)**	(1.7)
Non-current liabilities	**(0.2)**	(0.2)
Net assets	**2.4**	2.0
Group's share of net assets (50%)	**1.2**	1.0

The following table reconciles the summarised financial position to the carrying amount of the Group's interest in its associates:

	2017 £m	2016 £m
Carrying amount of associates		
At beginning of year	**1.0**	1.0
Share of profit after tax of associates	**0.7**	0.7
Dividends received	**(0.5)**	(0.7)
At end of year	**1.2**	1.0

Details of the Group's principal associates, all of which are unlisted, are shown in Note 33.

Notes to the Group Financial Statements continued

year ended 29 September 2017

10. TAXATION

	2017 £m	2016 £m
Continuing operations		
Current tax		
Corporation tax charge	**2.9**	0.7
Overseas tax charge	**3.9**	4.7
Adjustment in respect of prior years	**(6.1)**	(6.2)
Total current tax charge/(credit) (pre-exceptional)	**0.7**	(0.8)
Deferred tax		
Origination and reversal of temporary differences	**6.7**	12.0
Legacy defined benefit pension obligations	**0.8**	0.5
Effect of tax rate change	**0.6**	(0.4)
Employee share-based payments	**0.1**	0.1
Increase in asset recognised	**(0.1)**	(8.9)
Adjustment in respect of prior years	**(1.4)**	(1.3)
Total deferred tax charge	**6.7**	2.0
Income tax expense (pre-exceptional)	**7.4**	1.2
Tax on exceptional items		
Current tax credit	**(2.3)**	(0.2)
Deferred tax credit	**(6.6)**	(1.3)
Tax credit on exceptional items	**(8.9)**	(1.5)
Total tax credit	**(1.5)**	(0.3)
Tax relating to items taken directly to equity		
Current tax relating to items taken directly to equity		
Income tax relating to foreign currency exchange	**(0.1)**	0.3
Employee share-based payments	**(0.4)**	(1.5)
	(0.5)	(1.2)
Deferred tax relating to items taken directly to equity		
Actuarial gain/(loss) on Group legacy defined benefit pension schemes	**4.8**	(4.7)
Adjustment in respect of prior years on Group on legacy defined benefit pension schemes	**0.3**	–
Cash flow hedges transferred to Income Statement	**0.1**	0.1
Employee share-based payments	**0.3**	0.6
	5.5	(4.0)
	5.0	(5.2)

10. TAXATION CONTINUED

RECONCILIATION OF TOTAL TAX CREDIT

The tax credit for the year can be reconciled to the profit per the Income Statement as follows:

	2017 £m	2016 £m
Profit for the year	**13.9**	48.5
Total tax credit for the year	**(1.5)**	(0.3)
Less: share of profit of associates after tax	**(0.7)**	(0.7)
Profit before tax	**11.7**	47.5
Tax charge at Irish corporation tax rate of 12.5%	**1.5**	5.9
Effects of:		
Expenses not deductible for tax purposes	**4.6**	3.6
Differences in effective tax rates on overseas earnings	**(7.6)**	(0.1)
Effect of current year losses not recognised	**9.2**	6.2
Utilisation of losses not previously recognised	**(4.2)**	(0.3)
Recognition of previously unrecognised deferred tax asset	**(0.1)**	(8.9)
Effect of rate change	**0.6**	(0.4)
Exceptional items	**1.5**	1.2
Adjustment in respect of prior years	**(7.5)**	(7.5)
Other	**0.5**	–
Total tax credit for the year	**(1.5)**	(0.3)

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 29 September 2017								
At beginning of year	**(1.7)**	**(2.4)**	**27.6**	**–**	**25.0**	**1.1**	**1.2**	**50.8**
Income Statement (charge)/credit	**(0.1)**	**(0.2)**	**(0.8)**	**–**	**1.0**	**(0.1)**	**0.1**	**(0.1)**
Tax credited to equity	**–**	**–**	**(5.1)**	**(0.1)**	**–**	**(0.3)**	**–**	**(5.5)**
Reclassification	**(3.7)**	**(1.1)**	**–**	**–**	**4.8**	**–**	**–**	**–**
Arising on acquisition (Note 31)	**(9.3)**	**(95.3)**	**–**	**–**	**21.0**	**–**	**15.0**	**(68.6)**
Currency translation adjustment and other	**1.0**	**7.5**	**–**	**–**	**(2.0)**	**–**	**(1.1)**	**5.4**
At end of year	**(13.8)**	**(91.5)**	**21.7**	**(0.1)**	**49.8**	**0.7**	**15.2**	**(18.0)**
Deferred tax assets (deductible temporary differences)	**4.9**	**–**	**21.7**	**–**	**49.8**	**0.7**	**16.4**	**93.5**
Deferred tax liabilities (taxable temporary differences)	**(18.7)**	**(91.5)**	**–**	**(0.1)**	**–**	**–**	**(1.2)**	**(111.5)**
Net deferred tax asset/(liability)	**(13.8)**	**(91.5)**	**21.7**	**(0.1)**	**49.8**	**0.7**	**15.2**	**(18.0)**

Notes to the Group Financial Statements continued

year ended 29 September 2017

10. TAXATION CONTINUED

DEFERRED TAXATION CONTINUED

	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 30 September 2016								
At beginning of year	(7.7)	(3.4)	23.3	0.1	32.2	1.8	1.3	47.6
Income Statement (charge)/credit	6.1	1.0	(0.5)	–	(7.2)	(0.1)	–	(0.7)
Tax charged to equity	–	–	4.7	(0.1)	–	(0.6)	–	4.0
Currency translation adjustment	(0.1)	–	0.1	–	–	–	(0.1)	(0.1)
At end of year	(1.7)	(2.4)	27.6	–	25.0	1.1	1.2	50.8
Deferred tax assets (deductible temporary differences)	5.2	–	27.6	–	25.0	1.1	1.2	60.1
Deferred tax liabilities (taxable temporary differences)	(6.9)	(2.4)	–	–	–	–	–	(9.3)
Net deferred tax asset/(liability)	(1.7)	(2.4)	27.6	–	25.0	1.1	1.2	50.8

The Group has not provided deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control the timing and realisation of these temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future. Given that participation exemptions and tax credits would be available in the context of the Group's investments in subsidiaries and joint ventures in the majority of the jurisdictions in which the Group operates, the aggregate amount of any unrecognised deferred tax liability arising in respect of temporary differences would be immaterial. No provision has been recognised in respect of deferred tax relating to unremitted earnings of subsidiaries as there is no commitment to remit earnings.

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 29 September 2017 was £52.6m (2016: £53.8m). No deferred tax asset is recognised in respect of certain capital losses incurred by the Group on the grounds that there is insufficient evidence that the assets will be recoverable. The unrecognised deferred tax asset at 29 September 2017 was £10.9 million (2016: £11.3m). Recognition of deferred tax assets is a key judgement in the Group Financial Statements.

FACTORS EFFECTING THE FUTURE TAX CHARGE

The tax charge in future periods will be impacted by any changes to the corporation tax rate in force in the countries in which the Group operates. There is a degree of uncertainty over the level of the future tax rate, due to a combination of factors including US tax reform, BEPS (Base Erosion and Profit Shifting) actions and the impact of Brexit on levels of UK taxation.

The main rate of UK corporation tax reduced from 20% to 19% with effect from 1 April 2017 and will reduce further to 17% with effect from 1 April 2020. The rate reductions to both 19% and to 17% were enacted during the prior period. These rate reductions have therefore been taken into account in the calculation of the UK-related deferred tax balances.

In the US, the Federal rate of 35% is taken into account in the calculation of the US related balances with the State rate determined by the States in which the Group operates. There are proposals to reduce the federal corporation tax rate in the United States to 20%. These proposals were not enacted by 29 September 2017 and therefore have not been taken into account in the calculation of the US-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.

11. EARNINGS PER ORDINARY SHARE

Basic earnings per Ordinary Share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by the Company and held in trust in respect of the Annual Bonus Scheme, the Performance Share Plan and the Executive Share Option Scheme. The adjusted figures for basic and diluted earnings per Ordinary Share is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items (net of tax), the effect of foreign exchange ('FX') on 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).

NUMERATOR FOR EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE CALCULATION

	2017 £m	2016 £m
Profit attributable to equity holders of the Company (numerator for basic earnings per share calculation)	**12.2**	47.4
Exceptional items (net of tax)	**69.3**	15.9
Movement on fair value of derivative financial instruments and related debt adjustments	**(0.2)**	(0.6)
FX effect on inter-company and external balances where hedge accounting is not applied	**3.0**	7.1
Amortisation of acquisition related intangible assets (net of tax)	**13.1**	6.5
Pension financing (net of tax)	**3.1**	3.4
Numerator for adjusted earnings per share calculation	**100.5**	79.7

DENOMINATOR FOR EARNINGS PER SHARE CALCULATION

	2017 '000	2016* '000
Shares in issue at the beginning of the year	**413,468**	410,300
Effect of shares held by Employee Benefit Trust	**(3,283)**	(2,659)
Effect of shares issued during the year	**220,704**	1,615
Effect of bonus issue relating to rights issue	**21,592**	88,389
Weighted average number of Ordinary Shares in issue during the year	**652,481**	497,645

	2017 pence	2016* pence
Basic earnings per Ordinary Share	**1.9**	9.5
Adjusted basic earnings per Ordinary Share	**15.4**	16.0

* Restated to include the effect of the bonus issue of shares incorporated in the rights issue in December 2016.

DILUTED EARNINGS PER ORDINARY SHARE

Diluted earnings per Ordinary Share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares. Employee Performance Share Plan awards, which are performance based, are treated as contingently issuable shares, because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. These contingently issuable Ordinary Shares are excluded from the computation of diluted earnings per Ordinary Share where the conditions governing exercisability have not been satisfied as at the end of the reporting period. A total of 6,619,322 (2016: 6,042,288) unvested shares were excluded from the diluted earnings per share calculation as they were either antidilutive or contingently issuable Ordinary Shares which had not satisfied the performance conditions attaching at the end of the 2017 financial year.

Notes to the Group Financial Statements continued

year ended 29 September 2017

11. EARNINGS PER ORDINARY SHARE CONTINUED

DENOMINATOR FOR DILUTED EARNINGS PER SHARE CALCULATION

A reconciliation of the weighted average number of Ordinary Shares used for the purpose of calculating diluted earnings per share is as follows:

	2017 '000	2016* '000
Weighted average number of Ordinary Shares in issue during the year	**652,481**	497,645
Dilutive effect of share options	**2,257**	6,478
Weighted average number of Ordinary Shares for diluted earnings per share	**654,738**	504,123

	2017 pence	2016 pence
Diluted earnings per Ordinary Share	**1.9**	9.4
Adjusted diluted earnings per Ordinary Share	**15.3**	15.8

* Restated to include the effect of the bonus issue of shares incorporated in the rights issue in December 2016.

12. DIVIDENDS PAID AND PROPOSED

	2017 £m	2016* £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 30 September 2016 (2015: 3.08 pence)	**17.0**	15.4
Interim dividend of 2.10 pence for the year ended 29 September 2017 (2016: 2.10 pence)	**14.8**	10.5
Total	**31.8**	25.9
Proposed for approval at AGM:		
Equity dividends on Ordinary Shares:		
Final dividend of 3.37 pence for the year ended 29 September 2017 (2016: 3.37 pence)	**23.8**	17.0

* For comparative purposes the historic dividend per share has been restated to reflect the bonus element of the rights issue.

During the year, 4,250,498 (2016: 1,883,280) shares were issued in respect of the Scrip Dividend Scheme.

This proposed dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the Balance Sheet of the Group as at 29 September 2017, in accordance with IAS 10 *Events After the Reporting Period.*

The proposed final dividend for the year ended 29 September 2017 will be payable on 5 April 2018 to shareholders on the Register of Members at 8 December 2017.

13. GOODWILL AND INTANGIBLE ASSETS

	Goodwill £m	Computer software and other intangibles £m	Acquisition related intangible assets – Customer related £m	Total £m
Year ended 29 September 2017				
Opening net book amount	**476.9**	**34.1**	**41.4**	**552.4**
Acquisitions through business combinations (Note 31)	**344.1**	**–**	**261.5**	**605.6**
Additions	**–**	**17.8**	**–**	**17.8**
Currency translation adjustment	**(23.9)**	**(0.2)**	**(20.5)**	**(44.6)**
Amortisation charge	**–**	**(4.5)**	**(19.2)**	**(23.7)**
Impairment charge	**–**	**(29.9)**	**–**	**(29.9)**
Closing net book amount	**797.1**	**17.3**	**263.2**	**1,077.6**
At 29 September 2017				
Cost	**806.4**	**63.1**	**330.5**	**1,200.0**
Accumulated impairment/amortisation	**(9.3)**	**(45.8)**	**(67.3)**	**(122.4)**
Net book amount	**797.1**	**17.3**	**263.2**	**1,077.6**

	Goodwill £m	Computer software and other intangibles £m	Acquisition related intangible assets – Customer related £m	Total £m
Year ended 30 September 2016				
Opening net book amount	452.3	20.1	35.1	507.5
Acquisitions through business combinations (Note 31)	14.2	–	–	14.2
Additions	–	17.3	12.7	30.0
Currency translation adjustment	10.4	0.4	2.8	13.6
Amortisation charge	–	(3.7)	(9.2)	(12.9)
Closing net book amount	476.9	34.1	41.4	552.4
At 30 September 2016				
Cost	486.2	45.6	91.1	622.9
Accumulated impairment/amortisation	(9.3)	(11.5)	(49.7)	(70.5)
Net book amount	476.9	34.1	41.4	552.4

During the year the Group recognised a £29.9m impairment charge relating to computer software and intangible assets. This charge was included as an exceptional item in operating costs in the Group Income Statement (Note 7).

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units ('CGU's) that are expected to benefit from that business combination. A summary of the allocation of the carrying value of goodwill by CGU is as follows:

	2017 £m	2016 £m
Convenience Foods UK	**408.9**	406.5
Convenience Foods US	**386.1**	68.3
Ingredients and Property	**2.1**	2.1
	797.1	476.9

IMPAIRMENT TESTING AND GOODWILL

Goodwill acquired through business combinations has been allocated to CGUs for the purposes of impairment testing based on the business unit into which the business will be assimilated. Goodwill has been allocated for impairment testing purposes to three individual cash-generating units; Convenience Foods UK; Convenience Foods US and Ingredients and Property.

The recoverable amount of all of the Group's CGUs has been determined based on a value in use calculation. The calculation uses cash flow projections of CGUs based on the 2018 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 plan period have been calculated by extrapolating the year five forecast cash flows using a steady 2% (2016: 2%) growth rate (reflecting inflation but no other growth) for a further period of 25 years and discounting these back to present values. Applying these techniques, no impairment arose in either FY17 or FY16.

Notes to the Group Financial Statements continued

year ended 29 September 2017

13. GOODWILL AND INTANGIBLE ASSETS CONTINUED

IMPAIRMENT TESTING AND GOODWILL CONTINUED

The application of a terminal value of 30 years to the cash flows has been arrived at after taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation, its proven ability to pursue and integrate value enhancing acquisitions and the nature of the Consumer Foods market.

KEY ASSUMPTIONS USED IN THE VALUE IN USE CALCULATIONS

Estimation of the carrying value of goodwill is a key judgemental estimate in the preparation of the Group Financial Statements.

CONVENIENCE FOODS UK CGU AND INGREDIENTS AND PROPERTY CGU

DISCOUNT RATE

A present value of the future cash flows of the Convenience Foods UK CGU and the Ingredients and Property CGU is calculated using a discount rate of 8% (2016: 8%). The discount rate used is the Group's weighted average cost of capital calculated using the Capital Asset Pricing Model adjusted for the Group's specific beta coefficient together with a country risk premium. The value assigned to the UK CGU and the Ingredients and Property CGU discount rate is consistent with external sources of information.

The table below is a description of the approach used to determine the values assigned to each key assumption for the purpose of impairment testing for the Convenience Foods UK CGU and the Ingredients and Property CGU:

Key assumptions	Basis for determining values assigned to key assumptions			
Profitability growth	Future profitability is based on a five year plan and takes past experience into account as management places value on this key assumption based on the Group's established history of sales and earnings growth.	Management also considers external sources of information, such as Nielsen market data and IGD research, pertaining to the estimated growth of the UK market as well as the edible oil and molasses food business, UK and Irish property market data, customer behaviour, consumer behaviour, competitor activity, long and short-term customer growth targets, contract wins and customer attrition.	In any areas of significant uncertainty Management seek to take a conservative approach to attributing values to key assumptions.	The value assigned to profitability reflects modest revenue growth and increased average future profitability growth rates. Revenue and profitability estimates are consistent with external sources of information pertaining to estimated growth of the UK convenience food market and profitability is consistent with past experience of the Group.
Capital expenditure	Capital expenditure is budgeted and forecast by assigning values to the investment required to deliver the estimated future profitability growth of the category and to deliver cost savings.	Management assigns this value based on past experience of the Group's capital expenditure requirements as well as external sources such as quotes from suppliers/contractors.		
Working capital	Working capital requirements are based on historical trends and past experience taking the budgeted future profitability into account.	As a group, Greencore has negative working capital. This is borne out by past experience. The Group assumes no change in working capital estimates after year one of the budget period.		
Inflation	Management considers the UK and Ireland inflation rate.	Values assigned to the inflation rate are consistent with external sources of information such as government and analyst predictions.		

The prior year assumptions were prepared on the same basis.

13. GOODWILL AND INTANGIBLE ASSETS CONTINUED

US CONVENIENCE FOODS CGU

DISCOUNT RATE

A present value of the future cash flows of the Convenience Foods US CGU is calculated using a discount rate of 8% (2016: 8%). The discount rate used is the Group's weighted average cost of capital calculated using the Capital Asset Pricing Model adjusted for the Group's specific beta coefficient together with a country risk premium. The value assigned to the US CGU discount rate is consistent with external sources of information.

The table below is a description of the approach used to determine the values assigned to each key assumption for the purpose of impairment testing for the Convenience Foods US CGU:

Key assumptions	Basis for determining values assigned to key assumptions			
Profitability growth	Future profitability is based on a five year plan and takes past experience into account as management places value on this key assumption based on the Group's established history of revenue and earnings growth and experience with bedding down new acquisitions. Five year profitability forecasts were prepared for the newly acquired Peacock Foods business during the year. Management relied on experience of the incumbent executive team and past performance in preparing these forecasts.	Management also considers external sources of information such as market data pertaining to the estimated growth of the US market, significant new contract wins, anticipated performance of new acquisitions, 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 seeks to take a conservative approach to attributing values to key assumptions.	The value assigned to revenue is consistent with external sources of information pertaining to estimated growth of the US market. Where applicable the value assigned to profitability growth in the US is specific to the group. Given the categories the business operates in and the impact of material customer wins, it exceeds the long-term average growth rate in the US market.
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.			
Inflation	Management considers the US inflation rate.	Values assigned to the inflation rate are consistent with external sources of information such as government and analyst predictions.		

The prior year assumptions were prepared on the same basis.

SENSITIVITY ANALYSIS

Sensitivity analysis has been carried out on each of the key assumptions used in the value in use calculation for each CGU identified. The Group believe that any reasonable change in the assumptions applied would not give rise to the carrying value of goodwill assigned to each CGU exceeding the recoverable amount of that CGU. The carrying value of goodwill assigned to each CGU is not negatively impacted by a decline in projected cashflows of 18%, a reduction in the inflationary linked long-term growth rate to zero or an increase in the discount rate of 44%.

Notes to the Group Financial Statements continued

year ended 29 September 2017

14. 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 29 September 2017					
Opening net book amount	**164.5**	**130.6**	**31.7**	**40.5**	**367.3**
Acquisitions through business combinations (Note 31)	**43.3**	**32.6**	**1.3**	**6.8**	**84.0**
Additions	**24.7**	**27.2**	**7.1**	**39.0**	**98.0**
Impairments	**–**	**(9.2)**	**(0.5)**	**–**	**(9.7)**
Reclassifications	**16.1**	**22.8**	**1.6**	**(40.5)**	**–**
Currency translation adjustment	**(3.1)**	**(5.7)**	**0.3**	**(0.3)**	**(8.8)**
Depreciation charge	**(14.2)**	**(26.8)**	**(4.1)**	**–**	**(45.1)**
Closing net book amount	**231.3**	**171.5**	**37.4**	**45.5**	**485.7**
At 29 September 2017					
Cost	**302.5**	**415.8**	**57.1**	**45.5**	**820.9**
Accumulated depreciation	**(71.2)**	**(244.3)**	**(19.7)**	**–**	**(335.2)**
Net book amount	**231.3**	**171.5**	**37.4**	**45.5**	**485.7**
Year ended 30 September 2016					
Opening net book amount	131.6	121.9	14.4	36.9	304.8
Acquisitions through business combinations	1.0	1.1	0.1	–	2.2
Additions	19.8	18.1	19.1	29.6	86.6
Disposals	(0.1)	(0.5)	(0.2)	(0.4)	(1.2)
Impairments	–	(2.2)	–	–	(2.2)
Reclassifications	14.7	11.4	0.8	(26.9)	–
Currency translation adjustment	5.6	2.8	0.1	1.4	9.9
Depreciation charge	(8.1)	(22.0)	(2.6)	–	(32.7)
Closing net book amount	164.5	130.6	31.7	40.6	367.4
At 30 September 2016					
Cost	221.5	352.1	47.7	40.6	661.9
Accumulated depreciation	(57.0)	(221.5)	(16.0)	–	(294.5)
Net book amount	164.5	130.6	31.7	40.6	367.4

During the year the Group recognised an £9.7m impairment charge relating to the Evercreech facility, which the Group will exit during 2018. This charge was included as an exceptional item in operating costs in the Group Income Statement (Note 7).

In 2016, an impairment charge of £1.9m arose in relation to the removal of redundant production equipment and the clearance of production space to enable capacity increases. This charge was included as an exceptional item in operating costs in the Group Income Statement. The remaining £0.3m arose on the Group's US operations and was recognised within operating expenses.

ASSETS HELD UNDER FINANCE LEASES

The net book amount and the depreciation charge in respect of assets held under finance leases and capitalised in property, plant and equipment are as follows:

	£m
Cost	2.1
Depreciation	(1.1)
Net book amount	1.0

15. INVESTMENT PROPERTY

	2017 £m	2016 £m
Opening net book amount	**6.2**	6.5
Disposals	**–**	(1.2)
Currency translation adjustment	**0.1**	0.9
Closing net book amount	**6.3**	6.2
Analysed as:		
Cost	**6.3**	6.2
Accumulated depreciation	**–**	–
Net book amount	**6.3**	6.2

The fair value of the Group's investment properties at 29 September 2017 was £7.3m (2016: £7.3m). The valuation was carried out by the Group 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.

16. INVENTORIES

	2017 £m	2016 £m
Raw materials and consumables	**53.6**	32.6
Work in progress	**0.9**	0.9
Finished goods and goods for resale	**27.4**	32.2
	81.9	65.7

None of the above carrying amounts have been pledged as security for liabilities entered into by the Group.

Inventory recognised within cost of sales	**1,345.8**	908.3

The amount recognised as an expense for inventory write-downs for the year, was £1.2m (2016: £1.9m).

17. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Current		
Trade receivables	**193.9**	111.2
Prepayments	**21.7**	13.2
VAT	**9.8**	10.0
Other receivables	**29.4**	23.2
Subtotal – current	**254.8**	157.6
Non-current		
Other receivables	**–**	2.5
Total	**254.8**	160.1

The fair value of current receivables approximates book value due to their size and short-term nature.

Non-current receivables bear interest at market rates or are discounted to present value and accordingly approximate fair value.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is set out in Note 21.

Notes to the Group Financial Statements continued

year ended 29 September 2017

18. TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Current		
Trade payables	**305.3**	245.9
Employment related taxes	**7.0**	6.5
Other payables and accrued expenses	**133.2**	113.3
Declared interim dividend	**14.8**	10.5
Subtotal – current	**460.3**	376.2
Non-current		
Other payables	**11.9**	1.7
Total	**472.2**	377.9

The Group's exposure to liquidity and currency risk is disclosed in Note 21.

19. CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash at bank and in hand, being cash and cash equivalents	**19.8**	25.5

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. At the year ended 29 September 2017, £nil (2016: £2.9m) of cash and cash equivalents held in Group accounts was deemed to be short-term restricted cash. The fair value of cash and cash equivalents equals the carrying amount. Note 22 includes details of the Group's net debt at 29 September 2017.

20. BORROWINGS

	2017 £m	2016 £m
Non-current		
Bank borrowings	**353.7**	170.6
Private Placement Notes	**121.9**	125.2
Non-bank borrowings	**61.6**	60.5
Finance leases	**1.8**	1.0
Total borrowings	**539.0**	357.3

	2017 £m	2016 £m
Between 1 and 2 years	**0.5**	0.1
Between 2 and 5 years	**464.5**	231.5
Over 5 years	**74.0**	125.7
	539.0	357.3

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the Balance Sheet date are as follows:

	2017 £m	2016 £m
6 months or less	**353.7**	170.6
1–5 years	**111.3**	61.0
Over 5 years	**74.0**	125.7
	539.0	357.3

The average spread that Greencore Group plc paid on its financing facilities in the year ended 29 September 2017 was 2.33% (2016: 2.37%).

20. BORROWINGS CONTINUED

BANK BORROWINGS

The Group's bank borrowings are denominated in sterling, US dollar and euro and bear floating rate interest. Interest is set at commercial rates based on a spread over sterling LIBOR, US dollar LIBOR and EURIBOR for periods of up to six months. At 29 September 2017, the Group's bank borrowings comprised of £123m, $307m and €5m (2016: £112m, $70m amd €7.5m), with the latest maturity being March 2020.

At 29 September 2017, the Group had available £179.3m (2016: £177.5m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. Uncommitted facilities undrawn at 29 September 2017 amounted to £25.1m (2016: £31.9m).

PRIVATE PLACEMENT NOTES

The Group's outstanding Private Placement Notes of $139.5m and £18m at 29 September 2017 (2016: $139.5 and £18m) were issued as fixed rate debt in October 2013 ($65m) and June 2016 ($74.5m and £18m) with maturities ranging between October 2021 and June 2026.

NON-BANK BORROWINGS

The Group's non-bank borrowings were drawn in March 2014 and bear floating rate interest that is based on a spread over EURIBOR for periods of six months. The funds received were swapped (using cross-currency interest rate swaps designated as cash flow hedges under IAS 39 Financial Instruments: Recognition and Measurement) from floating euro to fixed US dollar rates. At 29 September 2017, the Group's non-bank borrowings comprised of €70m (2016: €70m), with the latest maturity being March 2020.

FINANCE LEASES

The Group has finance leases for various items of property, plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are set out in Note 28.

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.

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks that include interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. These financial risks are actively managed by the Group's treasury department under strict policies and guidelines approved by the Board of Directors. The Group's treasury department actively monitors market conditions with a view to minimising the exposure of the Group to changing market factors while at the same time minimising the volatility of the funding costs of the Group. The Group uses derivative financial instruments such as foreign currency contracts, cross-currency swaps and interest rate swaps to manage the financial risks associated with the underlying business activities of the Group.

FAIR VALUE HIERARCHY

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not observable market data (un-observable inputs).

During the year, there were no transfers between the different levels identified above.

Notes to the Group Financial Statements continued

year ended 29 September 2017

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUE HIERARCHY CONTINUED

	2017 Level 2 £m	2016 Level 2 £m
Assets carried at fair value		
Forward foreign exchange contracts – not designated as hedges	**0.3**	0.8
	0.3	0.8
Liabilities carried at fair value		
Interest rate swaps – cash flow hedges	**(1.9)**	(4.1)
Interest rate swaps – not designated as hedges	**(0.5)**	(1.2)
Cross-currency interest rate swaps – cash flow hedges	**(11.8)**	(18.0)
Forward foreign exchange contracts – not designated as hedges	**(0.1)**	–
	(14.3)	(23.3)

FINANCIAL ASSETS AND LIABILITIES

	2017					
	Loans and receivables £m	**FV through Income Statement £m**	**Cash flow hedges £m**	**Financial liabilities at amortised cost £m**	**Carrying value £m**	**Fair value £m**
Trade and other receivables	**233.1**	**–**	**–**	**–**	**233.1**	**233.1**
Cash and cash equivalents*	**19.8**	**–**	**–**	**–**	**19.8**	**19.8**
Derivative financial instruments*	**–**	**(0.2)**	**(13.8)**	**–**	**(14.0)**	**(14.0)**
Bank borrowings*	**–**	**–**	**–**	**(353.7)**	**(353.7)**	**(354.3)**
Private Placement Notes*	**–**	**–**	**–**	**(121.9)**	**(121.9)**	**(127.6)**
Non-bank borrowings*	**–**	**–**	**–**	**(61.6)**	**(61.6)**	**(63.6)**
Finance lease*	**–**	**–**	**–**	**(1.8)**	**(1.8)**	**(2.0)**
Trade and other payables	**–**	**–**	**–**	**(456.1)**	**(456.1)**	**(456.1)**

Level 2 denoted by*.

The carrying value of trade and other receivables and trade and other payables are considered a reasonable approximation of fair value.

The fair value of the financial liabilities held at amortised cost and the financial liabilities in fair value hedges are within Level 2 of the fair value hierarchy and have been calculated by discounting the expected future cash flows at prevailing interest rates and by applying period end exchange rates.

	2016					
	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**	144.5	–	–	–	144.5	144.5
Cash and cash equivalents*	25.5	–	–	–	25.5	25.5
Derivative financial instruments*	–	(0.4)	(22.1)	–	(22.5)	(22.5)
Bank borrowings*	–	–	–	(170.6)	(170.6)	(173.2)
Private Placement Notes*	–	–	–	(125.2)	(125.2)	(139.5)
Non-bank borrowings*	–	–	–	(60.5)	(60.5)	(65.4)
Finance lease*	–	–	–	(1.0)	(1.0)	(1.6)
Trade and other payables**	–	–	–	(373.7)	(373.7)	(373.7)

Level 2 denoted by*.

*** prior year comparatives have been restated to include non-current assets in line with current year.*

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

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.

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	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Effect of a downward movement of 100 basis points	**1.6**	(0.3)	**(3.9)**	(2.5)
Effect of an upward movement of 100 basis points	**(2.2)**	–	**2.4**	2.1

Negative = cost, positive = gain.

FOREIGN CURRENCY RISK

The Group is exposed to currency risk as follows:

- Sales and purchases in certain businesses; and
- Financing.

Sales and Purchases in Certain Businesses

The Group is exposed to currency risk on sales and purchases in certain businesses that are denominated in currencies other than the functional currency of the entity concerned. The Group utilises foreign currency contracts to economically hedge foreign exchange exposures arising from these transactions.

The Group's trading entity exposures to foreign currency risk for amounts not denominated in the functional currency of the relevant entity at the Balance Sheet date were as follows (excluding derivative financial instruments):

	2017			2016		
Denominated in:	**Euro £m**	**US dollars £m**	**Sterling £m**	Euro £m	US dollars £m	Sterling £m
Trade receivables	**0.4**	**0.7**	**0.6**	0.6	1.0	0.4
Trade payables	**(0.7)**	**(0.5)**	**(0.5)**	(0.5)	(0.2)	(0.6)
Cash and cash equivalents	**0.4**	**3.5**	**–**	0.2	0.1	0.4
Gross Balance Sheet exposure	**0.1**	**3.7**	**0.1**	0.3	0.9	0.2

Financing

The Group finances its operations by obtaining funding at Group level through external borrowings, and where appropriate, these borrowings are designated as net investment hedges. This enables gains and losses arising on the retranslation of foreign currency borrowings to be recognised in equity, providing a partial offset in equity against the gains and losses arising on translation of the net assets of the foreign operations. A foreign exchange gain of £25.8m (2016: loss of £25.7m) was recognised in equity during the period in respect of borrowings designated as net investment hedges.

The Group has financed its investment in the UK by directly borrowing in sterling, with the US business being funded in US dollar. Although the majority of the US funding is obtained by directly borrowing US dollar, an element of the funding is achieved through euro borrowings converted to US dollar using cross-currency interest rate swaps.

Notes to the Group Financial Statements continued

year ended 29 September 2017

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

FOREIGN CURRENCY RISK CONTINUED

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	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Impact of 10% strengthening of sterling vs euro gain/(loss)	**0.3**	(0.6)	**0.3**	(0.6)
Impact of 10% strengthening of sterling vs dollar gain/(loss)	**(0.5)**	3.5	**36.7**	20.0

The effect on equity of a movement between sterling, US dollar and euro would be offset by the translation of the net assets of the subsidiaries against which the US dollar and euro borrowings are hedged. The above calculations do not include the variability in Group profitability which arises on the translation of foreign currency subsidiaries' financial statements to Group presentation currency.

LIQUIDITY RISK

The Group's policy on funding capacity is to ensure that it always has sufficient long-term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements with an appropriate level of additional headroom. A prudent approach to liquidity risk management is taken by the Group by spreading the maturities of its debt using long-term financing. The Group's treasury department actively monitors the current and future funding requirements of the business on a daily basis. Excess funds are placed on short-term deposit for up to one month whilst ensuring that sufficient cash is available on demand to meet expected operational requirements.

During the period the Group put in place a new $249m bank facility to part fund the acquisition of Peacock Foods, which completed on 30 December 2016. In March 2017 the maturity of the primary bank facility of £300m was extended by 1 year to March 2022. In addition, the Group also extended the maturity of a £50m bilateral facility bank for a further 18 months to March 2020.

The following are the carrying amounts and contractual liabilities of financial liabilities (including interest payments):

	Carrying amount £m	Contractual amount £m	Period 1–6 months £m	Period 6–12 months £m	Period 1–5 years £m	Period > 5 years £m
29 September 2017						
Non-Derivative Financial Instruments						
Bank borrowings	**(353.7)**	**(410.2)**	**(5.6)**	**(6.0)**	**(398.6)**	**–**
Private Placement Notes	**(121.9)**	**(158.8)**	**(3.2)**	**(3.2)**	**(71.2)**	**(81.2)**
Non-bank borrowings	**(61.6)**	**(66.8)**	**(1.0)**	**(1.0)**	**(64.8)**	**–**
Finance leases	**(1.8)**	**(2.2)**	**(0.3)**	**(0.3)**	**(1.2)**	**(0.4)**
Trade and other payables	**(456.1)**	**(456.1)**	**(456.1)**	**–**	**–**	**–**
Derivative Financial Instruments						
Interest rate swaps – cash flow hedges	**(2.0)**					
Inflow/(outflow)		**(2.9)**	**(0.5)**	**0.0**	**(2.4)**	**–**
Interest rate swaps – not designated as hedges	**(0.5)**					
Inflow/(outflow)		**(0.5)**	**(0.2)**	**(0.2)**	**(0.1)**	**–**
Cross-currency interest rate swaps – cash flow hedges	**(11.8)**					
Inflow		**66.8**	**1.0**	**1.0**	**64.8**	**–**
(Outflow)		**(82.5)**	**(2.1)**	**(2.1)**	**(78.3)**	**–**
Forward foreign exchange contracts	**0.3**					
Inflow		**13.9**	**10.8**	**2.9**	**0.2**	**–**
(Outflow)		**(13.9)**	**(10.7)**	**(2.8)**	**(0.4)**	**–**

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

LIQUIDITY RISK CONTINUED

	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
25 September 2016						
Non-Derivative Financial Instruments						
Bank borrowings	(170.6)	(187.7)	(2.0)	(1.8)	(183.8)	–
Private Placement Notes	(125.2)	(170.0)	(3.3)	(3.3)	(26.3)	(137.1)
Non-bank borrowings	(60.5)	(67.6)	(1.0)	(1.0)	(65.6)	–
Finance leases	(1.0)	(1.6)	(0.1)	(0.1)	(0.8)	(0.6)
Trade and other payables	(373.3)	(373.3)	(373.3)	–	–	–
Derivative Financial Instruments						
Interest rate swaps – cash flow hedges	(4.1)					
Inflow/(outflow)		(6.3)	(0.3)	–	(5.0)	(1.0)
Interest rate swaps – not designated as hedges	(1.2)					
Inflow/(outflow)		(1.3)	(0.2)	(0.3)	(0.8)	–
Cross-currency interest rate swaps – cash flow hedges	(18.0)					
Inflow		67.7	1.0	1.0	65.7	–
(Outflow)		(89.6)	(2.2)	(2.2)	(85.2)	–
Forward foreign exchange contracts	0.8					
Inflow		19.5	13.1	4.4	2.0	–
(Outflow)		(18.4)	(12.4)	(4.1)	(1.9)	–

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 Group Balance Sheet. Risk is monitored both centrally and locally. The Group derives a significant proportion of its revenue from sales to a limited number of major customers. Sales to individual customers can be of significant value and the failure of any such customer to honour its debts could materially impact the Group's results. The Group derives significant benefit from trading with its large customers and manages the risk by regularly reviewing the credit history and rating of all significant customers.

The Group assessed the carrying value of other receivables based on management's assessment and knowledge of the counterparty. The amounts due were neither past due nor impaired at 29 September 2017.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Group Balance Sheet:

	Carrying amount	
	2017 £m	2016 £m
Trade receivables	**193.9**	111.2
Other receivables	**29.4**	25.7
Cash and cash equivalents	**19.8**	25.5
Derivative financial instruments	**0.3**	0.8

Trade Receivables

Revenue earned individually from two customers in Convenience Foods UK & Ireland of £274.4m and £249.3m respectively, represents more than 10% of the Group's revenue (2016: Revenue earned individually from three customers in Convenience Foods UK & Ireland of £246.0m, £206.0m and £163.2m 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, £41.2m (2016: £34.7m) has been derecognised at year end.

Notes to the Group Financial Statements continued

year ended 29 September 2017

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK CONTINUED

Trade Receivables continued

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2017 £m	2016 £m
UK & Ireland	**117.2**	93.1
US	**74.7**	16.4
Rest of world	**2.0**	1.7
	193.9	111.2

Ageing of Trade Receivables

The aged analysis of trade receivables split between amounts that were neither past due nor impaired, amounts past due but not impaired and amounts that are impaired at 29 September 2017 and 30 September 2016 were as follows:

	2017 £m	2016 £m
Neither past due nor impaired:		
Receivable within 3 months of the Balance Sheet date	**176.5**	104.1
Past due but not impaired:		
Receivable between 1 and 6 months of the Balance Sheet date	**17.4**	7.1
Total	**193.9**	111.2

Trade receivables are generally receivable within 90 days of the Balance Sheet date and are unsecured and non-interest bearing. The figures disclosed above are stated net of provisions for impairment. The movements in the provision for impairment of receivables are as follows:

	2017 £m	2016 £m
At beginning of year	**0.9**	0.6
Provided during year	**0.3**	0.7
Written off during year	**(0.5)**	(0.5)
Arising on acquisition	**0.5**	–
Recovered during year	**–**	(0.1)
Translation adjustment	**(0.1)**	0.2
At end of year	**1.1**	0.9

Cash and Cash Equivalents

Exposure to credit risk on cash and derivative financial instruments is actively monitored by the Group's treasury department. The maximum exposure to credit risk for cash and cash equivalents by geographic location of financial institution was as follows:

	Carrying amount	
	2017 £m	2016 £m
UK	**16.8**	18.0
US	**2.8**	6.7
Ireland	**0.2**	0.8
	19.8	25.5

PRICE RISK

The Group purchases a variety of commodities which can be subject to significant price volatility. The price risk on these commodities is managed by the Group's purchasing function. It is the Group policy to minimise its exposure to volatility by adopting an appropriate forward purchase strategy.

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to trade on a going concern basis while maximising the return to stakeholders through the optimisation of the debt and equity balance. Invested capital is defined as the sum of all current and non-current assets (including intangibles), less current and non-current liabilities with the exception of debt items, derivatives and retirement benefit obligations. The Group monitors the Return on Invested Capital of the Group as a key performance indicator, the calculation is set out on page 179.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments recognised as assets and liabilities in the Balance Sheet are analysed as follows:

	2017		
	Assets £m	**Liabilities £m**	**Net £m**
Current			
Forward foreign exchange contracts – not designated as hedges	**0.3**	**–**	**0.3**
	0.3	**–**	**0.3**
Non-current			
Cross-currency interest rate swaps – cash flow hedges	**–**	**(11.8)**	**(11.8)**
Forward foreign exchange contracts – not designated as hedges	**–**	**(0.1)**	**(0.1)**
Interest rate swaps – not designated as hedges	**–**	**(0.5)**	**(0.5)**
Interest rate swaps – cash flow hedges	**–**	**(1.9)**	**(1.9)**
	–	**(14.3)**	**(14.3)**
Total	**0.3**	**(14.3)**	**(14.0)**

	2016		
	Assets £m	Liabilities £m	Net £m
Current			
Forward foreign exchange contracts – not designated as hedges	0.6	–	0.6
Interest rate swaps – not designated as hedges	–	(0.3)	(0.3)
	0.6	(0.3)	0.3
Non-current			
Cross-currency interest rate swaps – cash flow hedges	–	(18.0)	(18.0)
Interest rate swaps – not designated as hedges	0.2	–	0.2
Interest rate swaps – not designated as hedges	–	(0.9)	(0.9)
Interest rate swaps – cash flow hedges	–	(4.1)	(4.1)
	0.2	(23.0)	(22.8)
Total	0.8	(23.3)	(22.5)

Derivative instruments which are held for trading and are not designated as effective hedging instruments are classified as a current asset or liability (as appropriate) regardless of maturity if the Group expects that they may be settled within 12 months of the Balance Sheet date. Derivative instruments that are designated as effective hedging instruments are classified as a current or non-current asset or liability by reference to the maturity of the hedged item. All other derivative instruments are classified by reference to their maturity date.

Cross-Currency Interest Rate Swaps

The Group utilises cross-currency interest rate swaps to swap floating rate euro denominated debt of €70m into fixed rate US dollar debt of $96.7m. The floating rate is based on EURIBOR. The euro to US dollar swaps are designated as cash flow hedges under IAS 39 *Financial Instruments: Recognition and Measurement*.

Interest Rate Swaps

The Group utilises interest rate swaps to convert floating rate sterling debt and floating rate US dollar debt into fixed rate debt liabilities. The principal amount of the Group's borrowings which are swapped at 29 September 2017 total £90m and $30m (2016: £100m and US$30m). In addition, the Group has entered into forward starting interest rate swaps of £100m and $40m, split into four tranches of £25m and eight tranches of $5m each respectively, commencing in October 2018 and October 2019 respectively with maturities in October 2021. The total nominal value of interest rate swaps designated as cash flow hedges under IAS 39 *Financial Instruments: Recognition and Measurement* at 29 September 2017 was £140m and $70m inclusive of forward starting derivatives (2016: £150m and $30m). At 29 September 2017, the fixed interest rates varied from 0.558% to 2.387% (2016: 1.25% to 2.10%) with maturities ranging from October 2018 to October 2021 (2016: October 2016 to October 2021).

Notes to the Group Financial Statements continued

year ended 29 September 2017

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Forward Foreign Exchange Contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 29 September 2017 total £13.9m (2016: £19.6m). No outstanding forward foreign exchange contracts are designated as cash flow hedges as at the 29 September 2017.

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 29 September 2017 is as follows:

	At 30 September 2016 £m	Acquisitions £m	Cash flow £m	Translation and non-cash adjustments £m	At 29 September 2017 £m
Net cash and cash equivalents	**25.5**	**7.8**	**(13.1)**	**(0.4)**	**19.8**
Bank borrowings	**(170.6)**	**–**	**(199.7)**	**16.6**	**(353.7)**
Finance leases	**(1.0)**	**(1.0)**	**0.1**	**0.1**	**(1.8)**
Non-bank borrowings	**(60.5)**	**–**	**–**	**(1.1)**	**(61.6)**
Private Placement Notes	**(125.2)**	**–**	**–**	**3.3**	**(121.9)**
Total	**(331.8)**	**6.8**	**(212.7)**	**18.5**	**(519.2)**

During the period, the Group put in place a new $249m bank facility to part fund the acquisition of Peacock Foods, which completed on 30 December 2016. In March 2017 the maturity of the primary bank facility of £300m was extended by 1 year to March 2022. In addition, the Group also extended the maturity of a £50m bilateral facility bank for a further 18 months to March 2020.

	At 25 September 2015 £m	Acquisitions £m	Cash flow £m	Hedge adjustment £m	Translation and other non-cash adjustments £m	At 30 September 2016 £m
Net cash and cash equivalents	6.3	0.5	18.1	–	0.6	25.5
Bank borrowings	(116.0)	–	(47.0)	–	(7.6)	(170.6)
Finance leases	(1.1)	–	0.1	–	–	(1.0)
Non-bank borrowings	(51.6)	–	–	–	(8.9)	(60.5)
Private Placement Notes	(110.3)	–	(8.5)	7.6	(14.0)	(125.2)
Cross-currency interest rate swaps – fair value hedges	7.2	–	–	(7.2)	–	–
Total	(265.5)	0.5	(37.3)	0.4	(29.9)	(331.8)

The Group repaid $100m in Private Placement Notes in October 2015 and subsequently issued Private Placement Notes of US$74.5m and £18m in June 2016. During the year, the Group had additional bank borrowings of £47.0m on its Revolving Credit Facility and the Group's primary bank facility was intended for a further year to March 2021.

22. ANALYSIS OF NET DEBT CONTINUED

CURRENCY PROFILE

The currency profile of net debt and derivative financial instruments at 29 September 2017 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Net cash and cash equivalents	**6.3**	**2.4**	**11.1**	**19.8**
Borrowings	**(332.0)**	**(66.0)**	**(141.0)**	**(539.0)**
Net Debt	**(325.7)**	**(63.6)**	**(129.9)**	**(519.2)**
Other derivative financial instruments	**(11.9)**	**–**	**(2.1)**	**(14.0)**
Total	**(337.6)**	**(63.6)**	**(132.0)**	**(533.2)**

The currency profile of net debt and derivative financial instruments at 30 September 2016 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Net cash and cash equivalents	7.1	1.6	16.8	25.5
Borrowings	(160.4)	(66.9)	(130.0)	(357.3)
Net Debt	(153.3)	(65.3)	(113.2)	(331.8)
Other derivative financial instruments	(18.2)	–	(4.3)	(22.5)
Total	(171.5)	(65.3)	(117.5)	(354.3)

INTEREST RATE PROFILE

The interest rate profile of net debt at 29 September 2017 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Floating rate net debt	**(198.8)**	**(1.9)**	**(21.4)**	**(222.1)**
Fixed rate net debt	**(126.9)**	**(61.7)**	**(108.5)**	**(297.1)**
Total	**(325.7)**	**(63.6)**	**(129.9)**	**(519.2)**

The interest rate profile of net debt at 30 September 2016 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Floating rate net debt	(23.2)	(4.8)	5.0	(23.0)
Fixed rate net debt	(130.1)	(60.5)	(118.2)	(308.8)
Total	(153.3)	(65.3)	(113.2)	(331.8)

Notes to the Group Financial Statements continued

year ended 29 September 2017

23. PROVISIONS FOR LIABILITIES

	Leases £m	Remediation and closure £m	Transaction costs £m	Other £m	Total £m
At beginning of year	**4.5**	**2.4**	**3.1**	**–**	**10.0**
Provided in year	**–**	**6.1**	**–**	**–**	**6.1**
Acquisitions through business combinations (Note 31)	**23.3**	**–**	**–**	**6.7**	**30.0**
Utilised in year	**(0.7)**	**(1.9)**	**(3.1)**	**(0.1)**	**(5.8)**
Unwind of discount to present value in the year	**0.3**	**–**	**–**	**–**	**0.3**
Currency translation adjustment	**(1.8)**	**(0.1)**	**–**	**(0.5)**	**(2.4)**
At end of year	**25.6**	**6.5**	**–**	**6.1**	**38.2**

ANALYSED AS:

	2017 £m	2016 £m
Non-current liabilities	**29.8**	3.7
Current liabilities	**8.4**	6.3
	38.2	10.0

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.

During the year the group recognised provisions on acquisitions of £23.3m related to lease obligations.

REMEDIATION AND CLOSURE

Remediation and closure obligations were established to cover either a statutory, contractual or constructive obligation of the Group.

Remediation and closure obligations amounting to £6.1m provided in the year relates to the exit from the Evercreech facility. The opening provision relate to the remediation costs associated with former sugar processing sites.

TRANSACTION COSTS

The transaction costs provision related to transaction costs incurred to 29 September 2017 relating to the acquisition of Peacock Foods.

OTHER

Other provisions primarily consist of provisions for potential litigation and other claims related to the acquisition of Peacock Foods.

24. RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined contribution pension schemes in all of its main operating locations. The Group also has legacy defined benefit pension schemes, which were closed to future accrual on 31 December 2009.

DEFINED CONTRIBUTION PENSION SCHEMES

The total cost charged to income of £7.5m (2016: £7.3m) represents employer contributions payable to the defined contribution pension schemes at rates specified in the rules of the schemes. At year end, £0.7m (2016: £0.7m) was included in other accruals in respect of defined contribution pension accruals.

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

LEGACY DEFINED BENEFIT PENSION SCHEMES

The Group operates four legacy defined benefit pension schemes in the Republic of Ireland (the 'Irish schemes') and three legacy defined benefit pension schemes and two legacy defined benefit commitments in the UK (the UK schemes). The Projected Unit Credit actuarial cost method has been employed in determining the present value of the defined benefit pension obligation arising, the related current service cost and, where applicable, past service cost.

These plans have broadly similar regulatory frameworks. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Company and the respective boards of trustees.

All of the legacy defined benefit pension schemes are closed to future accrual and there is an assumption applied in the valuation of the schemes that there will be no discretionary increases in pensions in payment. Scheme assets are held in separate trustee administered funds.

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 *Employee Benefits*. In particular the discount rate used to determine the value of liabilities under IAS 19 *Employee Benefits* is determined by reference to the yield on high grade corporate bonds of comparable duration to the liabilities. In contrast the discount rate used in the ongoing valuation is generally determined by reference to the yield on the scheme's current and projected future investment portfolio.

Where a funding valuation reveals a deficit in a scheme, the Group will generally agree a schedule of contributions with the Trustees designed to address the deficit over an agreed future time horizon. The Group has agreed funding valuations in respect of all its relevant obligations including the UK Defined Benefit Scheme in March 2017. Based on these agreed valuations, cash contributions are expected to remain unchanged at approximately £15m in FY18. All of the schemes are operating under the terms of funding proposals agreed with the relevant pension authorities.

Actuarial gains and losses and the associated movement in deferred tax are recognised in retained income via the Group Statement of Recognised Income and Expense.

Full actuarial valuations were carried out between 31 March 2016 and 31 March 2017. In general, actuarial valuations are not available for public inspection, however, the results of valuations are advised to the members of the various schemes.

LEGACY DEFINED BENEFIT PENSION ASSETS AND LIABILITIES ARE ANALYSED IN THE GROUP BALANCE SHEET

	Total			
	UK Schemes £m	Irish Schemes £m	2017 £m	2016 £m
Fair value of plan assets	**214.3**	**264.3**	**478.6**	497.8
Present value of scheme liabilities	**(352.4)**	**(251.0)**	**(603.4)**	(660.1)
(Deficit)/surplus in schemes	**(138.1)**	**13.3**	**(124.8)**	(162.3)
Deferred tax asset (Note 10)	**23.4**	**(1.7)**	**21.7**	27.6
Net (liability)/asset at end of year	**(114.7)**	**11.6**	**(103.1)**	(134.7)
Presented as:				
Retirement benefit asset*			**17.3**	16.7
Retirement benefit obligation			**(142.1)**	(179.0)

* The value of a net pension benefit asset is the value of any amount the Group reasonably expects to recover by way of refund of surplus from the remaining assets of a plan at the end of the plan's life.

EMPLOYEE BENEFIT PLAN RISKS

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit. The plans hold equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short term. The allocation to equities is monitored to ensure that it remains appropriate given the plans' long-term objectives.

Discount rates: The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the Balance Sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. Changes in discount rates impact the quantum of the liabilities.

Inflation risk: Some of the Group's pension obligations have an inflation linkage; higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The rate of inflation is derived from the RPI in the UK. The breakeven rate in the Eurozone is used for the basis for the Irish inflation assumption.

Notes to the Group Financial Statements continued

year ended 29 September 2017

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

LEGACY DEFINED BENEFIT PENSION SCHEMES CONTINUED

EMPLOYEE BENEFIT PLAN RISKS CONTINUED

Longevity risk: In the majority of cases, the Group's legacy defined benefit pension schemes provide benefits for the life of the member, so increases in life expectancy will therefore give rise to higher liabilities.

The size of the obligation is sensitive to judgemental actuarial assumptions. These include demographic assumptions covering mortality, economic assumptions covering price inflation and benefit increases, together with the discount rate. The expected return on plan assets is also a key judgement.

The principal actuarial assumptions are as follows:

	UK Schemes		Irish Schemes	
	2017	2016	**2017**	2016
Rate of increase in pension payments*	**3.05%**	2.95%	**0%**	0%
Discount rate	**2.75%**	2.35%	**1.65%**	1.10%
Inflation rate**	**3.10%**	3.00%	**1.45%**	1.20%

* The rate of increase in pension payments applies to the majority of the liability base, however there are certain categories within the Groups Irish Schemes that have an entitlement to pension indexation and this is allowed for in the calculation.

** Inflation is RPI for UK schemes, for reference CPI is assumed to be 1% less than RPI.

Assumptions regarding future mortality experience are set based on information from published statistics and experience in all geographic regions and are selected to reflect the characteristics and experience of the membership of the relevant plans. In relation to the UK, this has been done by reflecting the characteristics of the membership using Club Vita research combined with the CMI 2016 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	
	2017 years	2016 years	**2017 years**	2016 years
Male	**22–24**	22–23	**23**	23
Female	**24–26**	23–25	**24**	24

SENSITIVITY OF PENSION LIABILITY TO JUDGEMENTAL ASSUMPTIONS

		Impact on Scheme Liabilities		
Assumption	Change in assumption	UK Schemes	Irish Schemes	Total
Discount rate	Increase by 0.5%	▼ £30.3m	▼ £16.1m	▼ £46.4m
Discount rate	Decrease by 0.5%	▲ £32.9m	▲ £18.8m	▲ £51.7m
Rate of inflation	Increase by 0.5%	▲ £20.4m	▲ £6.9m	▲ £27.3m
Rate of inflation	Decrease by 0.5%	▼ £19.3m	▼ £5.9m	▼ £25.2m
Rate of mortality	Members assumed to live 1 year longer	▲ £14.1m	▲ £8.1m	▲ £22.2m

SENSITIVITY OF PENSION SCHEME ASSETS TO YIELD MOVEMENTS

		Impact on Scheme Assets		
Assumption	Change in assumption	UK Schemes	Irish Schemes	Total
Change in bond yields	Decrease by 0.5%	▲ £12.1m	▲ £12.1m	▲ £24.2m

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. The sensitivity analysis intends to provide assistance in understanding the sensitivity of the valuation of pension liabilities to market movements on discount rates, inflation rates and mortality assumptions for scheme beneficiaries.

The Trustees invest the funds in a range of assets with the objective of maximising the fund return with a view to containing the cost of funding the scheme whilst at the same time maintaining an acceptable risk profile. In assessing the risk profile the Trustees take account of the nature and duration of the liabilities. Approximately 29% (2016:26%) of the UK funds and 70% (2016:49%) of the Irish funds are invested in liability matching investments. The Trustees review investment strategy regularly.

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

LEGACY DEFINED BENEFIT PENSION SCHEMES CONTINUED

SENSITIVITY OF PENSION SCHEME ASSETS TO YIELD MOVEMENTS CONTINUED

Plan assets are comprised as follows:

	2017			2016		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Cash	11.1	–	11.1	11.7	–	11.7
Equity instruments	95.2	–	95.2	165.3	–	165.3
Debt instruments	191.9	–	191.9	148.9	–	148.9
Real estate	16.7	18.9	35.6	–	36.2	36.2
Derivatives	55.4	–	55.4	61.4	–	61.4
Investment funds	86.8	–	86.8	41.9	29.7	71.6
Insurance contracts	–	2.6	2.6	0.3	2.4	2.7
Fair value of plan assets	457.1	21.5	478.6	429.5	68.3	497.8

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

	2017 £m	2016 £m
Change in plan assets		
Fair value of plan assets at beginning of year	497.8	393.2
Interest income on plan assets	7.9	11.8
Actuarial (loss)/gains	(10.1)	60.7
Administrative expenses paid from plan assets	(0.7)	(0.8)
Employer contributions	10.8	14.0
Benefit payments	(32.0)	(22.5)
Effect of exchange rate changes	4.9	41.4
Fair value of plan assets at end of year	478.6	497.8

MOVEMENT IN THE PRESENT VALUE OF LEGACY DEFINED BENEFIT OBLIGATIONS

	2017 £m	2016 £m
Change in benefit obligation		
Benefit obligation at beginning of year	660.1	505.9
Interest expense	11.8	16.2
Past service cost	–	0.1
Actuarial (gain)/loss on financial assumptions	(37.9)	126.8
Actuarial gain on demographic assumptions	(3.8)	(5.3)
Actuarial loss/(gain) on experience	1.5	(1.0)
Plan settlements	(0.7)	(0.1)
Benefit payments	(32.1)	(22.5)
Effect of exchange rate changes	4.5	40.0
Liability at end of year	603.4	660.1

Notes to the Group Financial Statements continued

year ended 29 September 2017

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

LEGACY DEFINED BENEFIT PENSION SCHEMES CONTINUED

MATURITY ANALYSIS

The expected maturity analysis is set out in the table below:

	UK Schemes % of benefits	Irish Schemes % of benefits
Expected benefit payments:		
Within 5 years	8%	19%
Between 6 and 10 years	9%	18%
Between 11 and 15 years	11%	18%
Between 16 and 20 years	13%	17%
Between 21 and 25 years	13%	15%
Over 25 years	46%	13%

The weighted average duration of the UK and Irish legacy defined benefit obligations are 18 years and 13 years respectively.

GREENCORE GROUP PENSION SCHEME CONTINGENT ASSET

The Greencore Group Pension Scheme ('the Scheme') has a mortgage and charge relating to certain property assets of the Group with a carrying value of £5.2m (2016: £5.2m) for use as a contingent asset of the Scheme. Under the terms of the mortgage and charge, should a disposal of these property assets occur that meets certain requirements, the Scheme is entitled to a portion of the sale proceeds. The maximum amount recoverable by the Trustees of the Scheme under the mortgage and charge is the amount required for the Scheme to meet the minimum funding standard under the Pension Acts 1990–2009.

GREENCORE UK LEGACY DEFINED BENEFIT SCHEME

In 2013, the Group entered into arrangements with the legacy Greencore UK Retirement 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 Limited Liability Partnership ('LLP'). LLP was established by SLP and holds certain trade receivables of the Group. As at 29 September 2017, SLP held properties with a carrying value of £17.1m (2016: £17.6m), trade receivables with a carrying value of £36.0m (2016: £33.1m), and a call on restricted cash of £nil (2016:£2.9m) 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.

25. SHARE CAPITAL

Authorised	2017 £m	2016 £m
1,000,000,000 Ordinary Shares of £0.01 each (2016: 500,000,000 Ordinary Shares of £0.01 each)	**10.0**	5.0
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	169.4

Issued and fully paid	2017 £m	2016 £m
705,646,811 (2016: 413,466,755) Ordinary Shares of £0.01 each	**7.1**	4.1
1 Special Rights Preference Share of €1.26 [(A)]	**–**	–
	7.1	4.1

25. SHARE CAPITAL CONTINUED

Reconciliation of movements on Equity Share Capital	2017 £'000	2016 £'000
Share capital, at beginning of year	**4,136**	4,103
Exercise of share options (B)	**7**	14
Scrip dividends (C)	**42**	19
Rights issue (D)	**2,872**	–
	7,057	4,136

(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) Details of share options granted under the Company's ShareSave scheme and the terms attaching thereto are provided in Note 6 to the Group Financial Statements and in the Report on Directors' Remuneration.
(C) During the year 4,250,498 (2016: 1,883,280) shares were issued in respect of the Scrip Dividend Scheme.
(D) A rights issue was undertaken in December 2016 and 287,214,963 shares were issued, to part fund the Peacock Foods acquisition. The offer to shareholders was 9 for 13 rights issue at a discounted share price of £1.53 per new share.

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.

26. NON-CONTROLLING INTERESTS

	2017 £m	2016 £m
At beginning of year	**4.4**	3.4
Profit after tax	**1.7**	1.1
Dividends paid to non-controlling interests	**(1.0)**	(0.9)
Currency translation adjustment	**0.1**	0.8
At end of year	**5.2**	4.4

27. WORKING CAPITAL MOVEMENT

The following represents the Group's working capital movement:

	2017 £m	2016 £m
Inventories	**6.9**	(4.7)
Trade and other receivables	**(55.3)**	(8.0)
Trade and other payables	**45.4**	25.9
	(3.0)	13.2

28. COMMITMENTS UNDER OPERATING AND FINANCE LEASES

OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases at year end are as follows:

	2017 £m	2016 £m
Within one year	**23.5**	13.9
After one year but not more than five years	**62.8**	32.6
More than five years	**51.8**	32.4
	138.1	78.9

Operating lease commitments relate to property, plant and machinery and fixtures and fittings.

Notes to the Group Financial Statements continued

year ended 29 September 2017

28. COMMITMENTS UNDER OPERATING AND FINANCE LEASES CONTINUED

FINANCE LEASES

The future minimum lease payments under finance leases at 29 September 2017, together with the present value of the net minimum lease payments were as follows:

	2017		2016	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year	**0.6**	**0.5**	0.2	0.1
After one year but not more than five years	**1.2**	**0.9**	0.8	0.4
More than five years	**0.4**	**0.4**	0.6	0.5
Total minimum lease payments	**2.2**	**1.8**	1.6	1.0
Less: amounts allocated to future finance costs	**(0.4)**	**–**	(0.6)	–
Present value of minimum lease payments	**1.8**	**1.8**	1.0	1.0

29. CAPITAL EXPENDITURE COMMITMENTS

	2017 £m	2016 £m
Capital expenditure that has been contracted but not been provided for	**21.1**	24.5
Capital expenditure that has been authorised by the Directors but not yet contracted	**21.2**	66.4
	42.3	90.9

30. 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 29 September 2017 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 for amounts of £9.2m (2016: £3.1m).

31. ACQUISITION OF UNDERTAKINGS

ACQUISITION IN THE CURRENT YEAR

PEACOCK FOODS

On 30 December 2016, the Group acquired 100% of CB-Peacock Holdings Inc. ('Peacock Foods'), a US based convenience food manufacturer. Peacock Foods is headquartered in Geneva, Illinois and operates seven manufacturing facilities across the US which offer two million square feet of manufacturing capacity and employs approximately 1,150 staff at these facilities. The acquisition transformed the Group's US business and provides further opportunities for growth by significantly increasing the Group's scale, exposure to leading brands in fast growing categories, extending its presence in new channels and with new customers, building its manufacturing footprint and, widening its geographical reach, enhancing its management talent and growing its potential for future profitability.

The principal factors contributing to the recognition of goodwill on the acquisition of Peacock Foods 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, expansion in the US market and a highly skilled management team. The goodwill is not deductible for tax purposes.

As part of the acquisition the Group acquired trade receivables with a fair value of £42.7m. Management estimate that acquired receivables will be collected in full. Acquisition related costs of £15.2m were charged to exceptional items in the Group Income Statement for the year ended 29 September 2017.

The post acquisition impact of the Peacock Foods acquisition on the Group was to increase revenue by £617.2m and Group net profit by £5.4m. If the acquisition had occurred at the beginning of the Group's financial year, revenue would have been £207.3m higher and the Group net profit for the year would have been £2.1m higher.

31. ACQUISITION OF UNDERTAKINGS CONTINUED

ACQUISITION IN THE CURRENT YEAR CONTINUED

HEATHROW

On 26 June 2017, the Group entered into an asset purchase agreement with Tasties of Chester Limited. The Group agreed to purchase the business, including the related assets ('Heathrow'), which manufactures and sells breaded and 'food to go' products of the seller for a total consideration of £4.9m. The acquisition provides the Group's Convenience Food division with additional manufacturing capacity to meet the expanding demand within the sector.

The principal factor contributing to the recognition of goodwill on the acquisition of Heathrow is the expected realisation of production and purchasing synergies with existing customers, through the complementary product offering of Heathrow with the existing product offering of the Group.

As part of the acquisition the Group acquired trade receivables with a fair value of £1.5m. Management estimate that acquired receivables will be collected in full. Acquisition related costs of £0.4m were charged to exceptional items in the Income Statement for the year ended 29 September 2017.

The post acquisition impact of the Heathrow acquisition on the Group was to increase revenue by £2.7m and decrease Group profit by £0.5m. If the acquisition had occurred at the beginning of the Group's financial year, revenue would have been £7.1m higher and the profit for the year would have been £1.4m lower.

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

	Peacock Foods £m	Heathrow £m	2017 Total £m
Assets			
Intangibles	**261.5**	**–**	**261.5**
Property, plant and equipment	**81.3**	**2.7**	**84.0**
Deferred tax assets	**37.3**	**–**	**37.3**
Inventory	**25.0**	**0.2**	**25.2**
Trade and other receivables	**45.2**	**1.5**	**46.7**
Total assets	**450.3**	**4.4**	**454.7**
Liabilities			
Provisions	**(29.2)**	**(0.8)**	**(30.0)**
Deferred tax liabilities	**(105.8)**	**(0.1)**	**(105.9)**
Trade and other payables	**(56.4)**	**(0.3)**	**(56.7)**
Total liabilities	**(191.4)**	**(1.2)**	**(192.6)**
Net assets acquired	**258.9**	**3.2**	**262.1**
Goodwill	**342.4**	**1.7**	**344.1**
Total enterprise value	**601.3**	**4.9**	**606.2**
Satisfied by:			
Cash payments	**607.0**	**4.9**	**611.9**
Cash and cash equivalents acquired	**(6.8)**	**–**	**(6.8)**
Working capital consideration	**1.1**	**–**	**1.1**
Net cash outflow	**601.3**	**4.9**	**606.2**

Notes to the Group Financial Statements continued

year ended 29 September 2017

31. ACQUISITION OF UNDERTAKINGS CONTINUED

ACQUISITION IN THE PRIOR YEAR

ATHERSTONE

On 22 July 2016, the Group acquired 100% of The Sandwich Factory ('Atherstone'), a manufacturer of food to go products for the UK convenience food market. The company employs approximately 480 staff at its purpose-built facility in Atherstone, Warwickshire. The acquisition provides the Group's Convenience Food division with additional manufacturing capability to meet the expanding demand within the sector.

The principal factor contributing to the recognition of goodwill on the acquisition of The Sandwich Factory is the expected realisation of production and purchasing synergies with existing customers, through the complementary product offering of The Sandwich Factory with the existing product offering of the Group.

As part of the acquisition the Group acquired trade receivables with a fair value of £8.2m. Management have collected in full acquired receivables. Acquisition related costs of £1.0m and £0.3m were charged to exceptional items in the Group Income Statement for the year ended 30 September 2016 and 29 September 2017 respectively. The goodwill is not deductible for tax purposes.

The post acquisition impact of The Sandwich Factory acquisition on the Group was to increase revenue by £12.4m and Group profit by £0.4m. If the acquisition had occurred at the beginning of the Group's financial year, revenue would have been £35.9m higher and the profit for the year would have been £1.0m higher.

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

	2016 £m
Assets	
Property, plant and equipment	2.2
Inventory	1.1
Trade and other receivables	9.3
Total assets	12.6
Liabilities	
Provisions	(2.3)
Trade and other payables	(8.7)
Total liabilities	(11.0)
Net assets acquired	1.6
Goodwill	14.2
Total enterprise value	15.8
Satisfied by:	
Cash payments	15.5
Cash and cash equivalents acquired	(0.5)
Working capital consideration	0.8
Net cash outflow	15.8

32. 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 33 of the Group Financial Statements.

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries, are eliminated in the preparation of the Group Financial Statements in accordance with IFRS 10 *Consolidated Financial Statements*. Amounts receivable from and payable to associates as at the Balance Sheet date are included as separate line items in the notes to the Group Financial Statements.

32. RELATED PARTY DISCLOSURES CONTINUED

TERMS AND CONDITIONS OF TRANSACTIONS WITH ASSOCIATES

In general, sales to and purchases from associates are on terms equivalent to those that prevail in arm's length transactions. The outstanding balances included in receivables and payables at the Balance Sheet date in respect of transactions with associates are unsecured, interest-free and settlement arises in cash. No guarantees have been either requested or provided in relation to the associates' company receivables and payables.

KEY MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements of IAS 24 *Related Party Disclosures*, the term 'Key Management Personnel' (i.e. those persons having the authority and responsibility for planning, directing and controlling the activities of the Company), comprise the Board of Directors which manages the business and affairs of the Group. As identified in the Report on Directors' Remuneration, the Directors who served during the year, other than the Non-Executive Directors, serve as executive officers of the Group.

Key management personnel compensation was as follows:

	2017 £m	2016 £m
Salaries and other short-term employee benefits	**1.2**	1.8
Post-employment benefits	**0.4**	0.3
Share-based payments*	**0.9**	0.6
	2.5	2.7

* 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.

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

Name of undertaking	Nature of business	Percentage share	Registered office
Greencore Advances Designated Activity Company	Finance Company	100	No. 2 Northwood Avenue Northwood Business Park, Santry Dublin 9, D09 X5N9
Greencore Beechwood Limited*	Holding Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Convenience Foods Limited Partnership*	Pension Funding	100	c/o Eversheds LLP 3–5 Melville Street Edinburgh EH3 7PE
Greencore Convenience Foods I Limited Liability Partnership*	Pension Funding	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
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

Notes to the Group Financial Statements continued

year ended 29 September 2017

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS CONTINUED

Name of undertaking	Nature of business	Percentage share	Registered office
Greencore Foods Limited*	Holding and Management Services Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Food to Go Limited*	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Funding Limited**	Finance Company	100	13 Castle Street St. Helier Jersey JE4 5UT
Greencore Grocery Limited*	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Prepared Meals Limited*	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore USA, LLC***	Food Processor	100	National Registered Agents 160 Greentree Drive, Suite 101 Dover, DE 19904 USA
Greencore USA – CPG Partners LLC***	Food Processor	100	National Registered Agents Inc., 160 Greentree Drive, Suite 101 Dover, DE 19904 USA
Greencore USA – Produce & Foodservice LLC***	Food Processor	100	National Registered Agents Inc., 160 Greentree Drive, Suite 101 Dover, DE 19904 USA
Greencore UK Holdings Limited*	Holding Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore US Holdings LLC***	Holding Company	100	National Registered Agents 160 Greentree Drive, Suite 101 Dover, DE 19904 USA
Hazlewood (Blackditch) Limited*	Property Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA

33. PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS CONTINUED

Name of undertaking	Nature of business	Percentage share	Registered office
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
The Sandwich Factory Holdings Limited*	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
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, that marked with ** which is registered in Jersey, and those marked with *** which are registered in the US.

On the 15 September 2017 CB – Peacock Holdings Inc. changed its name to Greencore USA – Corporate, Inc., Peacock Engineering Company, LLC changed its name to Greencore USA – CPG Partners, LLC and L&L Holdings LLC, changed its name to Greencore USA – Produce & Foodservice, LLC.

34. SUBSEQUENT EVENTS

There were no significant subsequent events after the Balance Sheet date.

35. BOARD APPROVAL

The Group Financial Statements, together with the Company Financial Statements, for the year ended 29 September 2017 were approved by the Board of Directors and authorised for issue on 27 November 2017.

Company Balance Sheet

at 29 September 2017

	Notes	2017 £m	2016 £m
Fixed assets			
Tangible assets	2	**2.8**	0.8
Financial assets	3	**176.8**	155.5
		179.6	156.3
Current assets			
Debtors	4	**1,244.7**	808.8
Cash and cash equivalents		**3.8**	33.8
		1,248.5	842.6
Creditors (amounts falling due within one year)			
Creditors	5	**536.3**	528.2
		536.3	528.2
Net current assets		**712.2**	314.4
Total assets less current liabilities		**891.8**	470.7
Net assets		**891.8**	470.7
Capital and reserves			
Share capital	6	**7.1**	4.1
Share premium account	7	**647.8**	198.9
Capital conversion reserve fund	7	**0.8**	0.8
Other reserves	7	**115.0**	117.1
Profit and loss account	7	**121.1**	149.8
Shareholders' funds		**891.8**	470.7

PG KENNEDY
Director

EP TONGE
Director

Notes to the Company Financial Statements

year ended 29 September 2017

1. COMPANY STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The Company Financial Statements of Greencore Group plc ('the Company') were prepared under the historical cost convention, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Acts 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the EU and include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 2 *Share-Based Payments*; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument: disclosures.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The company adopted FRS 101 for the first time in the prior financial year.

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 Parent Company was £17.9m (2016: profit of £90.3m). In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Income Statement.

TRADE AND OTHER DEBTORS

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost net of provision for impairment. A provision is made when there is objective evidence that the Group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Any trade and other receivables included in non-current assets are carried at amortised cost in accordance with the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially recognised at fair value and subsequently carried at amortised cost. Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have an original maturity of three months or less.

TRADE AND OTHER PAYABLES

Trade and other payables are initially recorded at fair value and subsequently at the higher of cost or payment or settlement amounts. Where the time value of money is material, payables are initially recorded at fair value and subsequently carried at amortised cost.

INTRA-GROUP GUARANTEES

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Company Financial Statements

year ended 29 September 2017

1. COMPANY STATEMENT OF ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS

Investments in subsidiaries and associated undertakings are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. When the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

FIXED ASSETS

Depreciation is calculated so as to write off the cost or valuation, less estimated residual value, of each fixed asset during its expected useful life using the straight-line or reducing balance methods over the following periods:

Plant, machinery, fixtures and fittings	3–25 years

No depreciation is provided on freehold land.

EMPLOYEE SHARE-BASED PAYMENTS

The Company grants equity settled share-based payments and share awards to employees (through the Executive Share Option plan, the Share Award Scheme, the Performance Share Plan and employee ShareSave Schemes). In the case of these options, the fair value is determined using a trinomial valuation model, as measured at the date of grant. The fair value is expensed to the Income Statement on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.

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, net of directly attributable transaction costs.

TAXATION

The expense charge for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised in the Statement of Recognised Income and Expense or directly in equity, in which case the tax is also recognised in the Statement of Recognised Income and Expense or directly in equity.

Current tax represents the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted, at the balance sheet date along with any adjustment to tax payable in respect of previous years.

The Company provides in full for deferred tax assets and liabilities (using the liability method), arising from temporary differences between the tax base of assets and liabilities and their carrying amounts in the Financial Statements except where they arise from the initial recognition of goodwill or from the initial recognition of an asset or liability that at the date of initial recognition does not affect accounting or taxable profit or loss on a transaction that is not a business combination. Such differences result in an obligation to pay more tax or a right to pay less tax in future periods.

A deferred tax asset is only recognised where it is probable that future taxable profits will be available against which the temporary differences giving rise to the asset can be utilised.

Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are enacted or substantively enacted at the Balance Sheet date. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PENSION PLANS

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate defined contribution scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as employee service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

DEFINED BENEFIT PENSION PLAN

Pension benefits are funded over the employees' years of service by way of contributions to a legacy defined benefit scheme operated by the Company. Pursuant to IAS 19.31, as the Directors of the Company are unable to determine the portion of the pension scheme assets and liabilities which relate to the employees of the Company, the Company has accounted for the contributions as if the scheme were a defined contribution scheme. Contributions to the plan are charged to the Income Statement as due. Any difference between the amounts charged to the Income Statement and contributions paid to the pension scheme are included in debtors or creditors in the Balance Sheet.

SHARE CAPITAL

ORDINARY SHARES

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are taken as a deduction, within equity net of tax, from the proceeds.

1. COMPANY STATEMENT OF ACCOUNTING POLICIES CONTINUED

SHARE CAPITAL CONTINUED

TREASURY SHARES

Where the Company purchases the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity and classified as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in total shareholders' equity.

DIVIDENDS

Interim dividends payable are recognised as a liability of the Company when the Board of Directors' resolves to pay the dividend and the shareholders have been notified in accordance with the Company's Articles of Association. Final dividends of the Company are recognised as a liability when they have been approved by the Company's shareholders.

CASH FLOW

The Company has taken advantage of the exemption available to it under FRS 101 not to prepare a statement of cash flows.

2. TANGIBLE ASSETS

	Fixtures and fittings £m	Total £m
Cost		
At 30 September 2016	1.3	1.3
Additions	2.1	2.1
At 29 September 2017	**3.4**	**3.4**
Depreciation		
At 30 September 2016	0.5	0.5
Charge for the year	0.1	0.1
At 29 September 2017	**0.6**	**0.6**
Net book value		
At 29 September 2017	**2.8**	**2.8**
At 30 September 2016	0.8	0.8

3. FINANCIAL ASSETS

Interest in subsidiary undertakings	**2017 £m**	2016 £m
At beginning and end of the year	**176.8**	155.5

The principal trading subsidiary and associated undertakings are set out in Note 33 to the Group Financial Statements.

4. DEBTORS

Amounts falling due within one year	**2017 £m**	2016 £m
Amounts owed by subsidiary undertakings*	**1,244.2**	808.3
Other debtors	**–**	0.3
Prepayments and accrued income	**0.5**	0.2
	1,244.7	808.8

* Amounts due from subsidiary undertakings are classified as current, as all inter-company receivables and payables are repayable on demand.

Notes to the Company Financial Statements

year ended 29 September 2017

5. CREDITORS

Amounts falling due within one year	2017 £m	2016 £m
Amounts owed to subsidiary undertakings*	**510.3**	507.8
Declared interim dividend	**14.8**	10.5
Trade and other creditors	**2.4**	2.3
Accruals	**8.8**	4.7
Provisions	**–**	2.9
	536.3	528.2

* Amounts due to subsidiary undertakings are classified as current, as all inter-company receivables and payables are repayable on demand.

6. SHARE CAPITAL

Details in respect of called-up share capital are presented in Note 25 of the Group Financial Statements.

7. EQUITY RESERVES

	2017						
	Share capital £m	Share premium £m	Capital conversion reserve fund(C) £m	Share-based payment reserve(D) £m	Own shares reserve(E) £m	Capital redemption reserve(F) £m	Profit and loss account £m
At beginning of year	**4.1**	**198.9**	**0.8**	**7.6**	**(7.5)**	**117.0**	**149.8**
Profit for the financial year attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**17.9**
Employee share-based payment expense	**–**	**–**	**–**	**3.5**	**–**	**–**	**–**
Exercise, forfeit or lapse of share-based payments	**–**	**1.1**	**–**	**(4.5)**	**–**	**–**	**4.5**
Issue of shares – rights issue	**2.9**	**436.7**	**–**	**–**	**–**	**–**	**(13.0)**
Shares acquired by Employee Benefit Trust(A)	**–**	**–**	**–**	**–**	**(7.4)**	**–**	**–**
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust(B)	**–**	**–**	**–**	**–**	**6.3**	**–**	**(6.3)**
Dividends	**0.1**	**11.1**	**–**	**–**	**–**	**–**	**(31.8)**
At end of year	**7.1**	**647.8**	**0.8**	**6.6**	**(8.6)**	**117.0**	**121.1**

(A) The Employee Benefit Trust acquired 45,228 (2016: 43,175) shares in the Group with a combined value of £0.2m (2016: £0.2m) and a nominal value at the date of purchase of £0.0004m (2016: £0.0004m) through the Scrip Dividend Scheme and utilisation of dividend income. Pursuant to the terms of the Employee Benefit Trust 3,231,732 (2016: 3,908,0376) shares were purchased during the financial year ended 29 September 2017 at a cost of £7.2m (2016: £13.6m). The nominal value of these shares, on which dividends have not been waived by the Employee Benefit Trust was £0.0004m (2016: £0.0004m) at the date of purchase.

(B) During the year 2,105,187 (2016: 4,503,518) shares with a nominal value at the date of transfer of £0.0003m (2016: £0.0003m) were transferred to beneficiaries of the Annual Bonus Plan and the Performance Share Plan.

(C) The capital conversion reserve fund represents the amount transferred to reserves as a result of renominalising the share capital of Greencore Group plc on conversion to the euro.

(D) The share-based payment reserve relates to equity settled share-based payments made to employees through the Performance Share Plan, the Annual Bonus Plan, the Employee ShareSave Scheme and the Executive Option Scheme. Further information in relation to this share-based payment is set out in Note 6 of the Group Financial Statements.

(E) The amount included as own shares relates to Ordinary Shares in Greencore Group plc which are held in trust. The shares held in trust are granted to beneficiaries of the Group's share-based payment schemes when the relevant conditions are satisfied.

(F) The capital redemption reserve represents the nominal cost of cancelled shares.

8. EMPLOYEE BENEFITS

The Company operates a legacy defined benefit pension scheme and a defined contribution pension scheme, with assets held in separate trustee administered funds.

Some employees of the Company are members of a multi-employer defined benefit pension scheme, which is operated in conjunction with other Group companies. The defined benefit pension scheme is accounted for as if it were a defined contribution pension scheme on the grounds that the Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. The defined benefit pension scheme of which some employees are members is not included on the Balance Sheet of the Company as it is not possible to determine the proportion of the assets and liabilities of the scheme that relates to the Company on a reasonable and consistent basis. The assets and liabilities associated with the defined benefit pension scheme are recognised on the Balance Sheet of Irish Sugar DAC. A substantial number of deferred beneficiaries of the scheme were employees of entities that either no longer trade or are no longer owned by the Group.

Total pension costs for the year amounted to £nil (2016: £2.7m) in respect of legacy defined benefit pension schemes and £0.4m (2016: £0.4m) in respect of defined contribution pension schemes. At year end, £0.03m (2016: £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 24 to the Group Financial Statements.

9. SHARE-BASED PAYMENTS

The Company grants share options under various share option plans as detailed in the Report of the Directors. A charge of £3.5m (2016: £3.2m) was recognised in the Income Statement of the Company in respect of the employees of the Company. All disclosures relating to the plans are given in Note 6 to the Group Financial Statements.

10. FINANCIAL GUARANTEE CONTRACTS

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed the liabilities of certain subsidiary undertakings in the Republic of Ireland for the financial year ended 29 September 2017. Where the Company has entered into financial guarantee contracts to guarantee the indebtedness of such subsidiaries, the Company considers these to be insurance contracts and accounts for them as such.

The Company is party to cross guarantees on Group borrowings. These are treated as insurance contracts and accounted for as such.

11. STATUTORY INFORMATION

During the period the average number of persons employed by the Company (excluding Non-Executive Directors) was 26 (2016: 26).

Directors' remuneration is disclosed in the Report on Directors' Remuneration and in Note 32 to the Group Financial Statements.

Auditor's remuneration for the year was as follows:

	2017 £'000	2016 £'000
Audit of the Company Financial Statements	**26**	26

The Company has annual commitments under operating leases expiring between two and five years of £1.1m (2015: £1.4m) and after five years of £0.5m (2015: £0.6m).

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 Sales 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, Net Debt and Return on Invested Capital ('ROIC').

PRO FORMA SALES GROWTH

The Group uses Pro Forma Sales Growth as a supplemental measure of its performance. The Group believes that Pro Forma Sales Growth provides a more accurate guide to underlying revenue performance. Pro Forma Sales Growth for FY17 adjusts reported revenue to reflect ownership of both Peacock Foods and The Sandwich Factory for the full period of both FY16 and FY17 and excludes the impact of the Heathrow acquisition. These figures are also presented on a constant currency basis and exclude the impact of the 53rd week in FY16.

	2017 Convenience Foods UK & Ireland	2017 Convenience Foods US	2017 Total
Pro Forma Sales Growth (%)	11.9	5.9	9.4

In the US, the business operates the majority of its revenue contracts on a pass-through basis where the business takes ownership of the materials but is entitled to pass on the price of materials directly to the customer as part of its finished goods. Accordingly, while revenue and cost of sales can be impacted by changes in material inflation or deflation, these changes do not impact profit delivery, therefore volume growth is a more important indicator of performance.

Pro Forma Volume Growth for Convenience Foods US was approximately 7% in the year.

ADJUSTED EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN

Adjusted EBITDA, Adjusted Operating Profit and Adjusted Operating Margin are used by the Group to measure the underlying and ongoing operating performance of each business unit and of the Group as a whole.

The Group calculates Adjusted Operating Profit as operating profit before amortisation of acquisition related intangibles and exceptional charges. Adjusted EBITDA is calculated as Adjusted Operating Profit plus deprecation and amortisation. 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:

	2017 £m	2016 £m
Profit for the financial year	**13.9**	48.5
Taxation(A)	**(1.5)**	(0.3)
Net finance costs(B)	**31.0**	27.9
Share of profit of associates after tax	**(0.7)**	(0.7)
Exceptional items	**78.2**	17.4
Amortisation of acquisition related intangibles	**19.2**	9.2
Adjusted Operating Profit	**140.1**	102.0
Depreciation and amortisation(C)	**49.6**	36.4
Adjusted EBITDA	**189.7**	138.4
Adjusted Operating Margin (%)	**6.0**	6.9

(A) Includes tax credit on exceptional items of £8.9m (2016: £1.5m).
(B) Finance costs less finance income.
(C) Excludes amortisation of acquisition related intangibles.

ADJUSTED EARNINGS AND 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's Income Statement) adjusted to exclude exceptional items (net of tax), the effect of foreign exchange (FX) on inter-company and external balances where hedge accounting is not applied, the movement in the fair value of all derivative financial instruments and related debt adjustments, the amortisation of acquisition related intangible assets (net of tax) and the interest expense relating to legacy defined benefit pension liabilities (net of tax). Adjusted EPS is calculated by dividing Adjusted Earnings by the weighted average number of Ordinary Shares in issue during the year, excluding Ordinary Shares purchased by Greencore and held in trust in respect of the Annual Bonus Plan, the Performance Share Plan and the Executive Share Option Scheme, and after adjusting the weighted average number of shares in the prior year for the effect of the rights issue and related bonus issue on the average number of shares in issue. Adjusted EPS is also referred to as Adjusted Basic EPS.

The following table sets forth a reconciliation of the Group's Profit attributable to equity holders of Greencore to its Adjusted Earnings for the financial years indicated.

	2017 £m	2016 £m
Profit attributable to equity holders of Greencore	**12.2**	47.4
Exceptional items (net of tax)	**69.3**	15.9
FX effect on inter-company and external balances where hedge accounting is not applied	**3.0**	7.1
Movement on fair value of derivative financial instruments and related debt adjustments	**(0.2)**	(0.6)
Amortisation of acquisition related intangible assets (net of tax)	**13.1**	6.5
Pension financing (net of tax)	**3.1**	3.4
Adjusted Earnings	**100.5**	79.7

	2017 '000	2016 '000
Weighted average number of Ordinary Shares in issue during the year	**652,481**	497,645

	2017 Pence	2016 Pence
Adjusted Basic Earnings Per Share	**15.4**	16.0

ADJUSTED PROFIT BEFORE TAX ('PBT')

Adjusted PBT is used as a measure by the Group to measure overall performance before associated tax charge and exceptional items. Exceptional items are deemed to be one-off in nature.

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:

	2017 £m	2016 £m
Profit before taxation	**12.4**	48.2
Taxation on share of profit of associates	**0.2**	0.2
Exceptional items	**78.2**	17.4
Pension finance items	**3.9**	4.4
Amortisation of acquisition related intangibles	**19.2**	9.2
FX and fair value movements[(A)]	**2.8**	6.5
Adjusted Profit Before Tax	**116.7**	85.9

(A) FX on inter-company and certain external balances and the movement in the fair value of all derivative financial instruments and related debt adjustments.

Alternative Performance Measures continued

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:

	2017 £m	2016 £m
Purchase of property, plant and equipment	**105.4**	87.7
Purchase of intangible assets	**17.9**	15.4
Net cash outflow from capital expenditure	**123.3**	103.1
Strategic Capital Expenditure	**83.6**	71.2
Maintenance Capital Expenditure	**39.7**	31.9
Net cash outflow from capital expenditure	**123.3**	103.1

OPERATING CASH FLOW

The Group uses Operating Cash Flow to measure the amount of cash generated by the operating activities of each business unit and of the Group as a whole.

The Group calculates Operating Cash Flow as the net cash inflow/(outflow) from operating and investing activities before Strategic Capital Expenditure, contributions to legacy defined benefit pension schemes, interest paid, tax paid, acquisition of undertakings, net of cash acquired, disposal of undertakings, contract acquisition costs and disposal of investment property.

The following table sets forth a reconciliation from the Groups net cash inflow from operating activities and net cash outflow from investing activities to Operating Cash Flow:

	2017 £m	2016 £m
Net cash inflow from operating activities	**118.2**	115.3
Net cash outflow from investing activities	**(726.1)**	(119.4)
Net cash outflow from operating and investing activities	**(607.9)**	(4.1)
Strategic Capital Expenditure	**83.6**	71.2
Contract acquisition costs	**–**	2.4
Disposal of investment property	**–**	(1.1)
Contributions to legacy defined pension schemes	**11.1**	14.0
Tax paid	**0.5**	0.3
Interest paid	**27.2**	15.5
Acquisition of undertakings, net of cash acquired	**606.2**	16.6
Disposal of undertakings	**(2.9)**	(0.9)
Operating Cash Flow	**117.8**	113.9

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:

	2017 £m	2016 £m
Non-current		
Bank borrowings	**(353.7)**	(170.6)
Private Placement Notes	**(121.9)**	(125.2)
Non-bank borrowings	**(61.6)**	(60.5)
Finance leases	**(1.8)**	(1.0)
Total borrowings	**(539.0)**	(357.3)
Cash & cash equivalents	**19.8**	25.5
Net Debt	**(519.2)**	(331.8)

RETURN ON INVESTED CAPITAL ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit, along with the measurements of potential new investments. The Group uses invested capital as a basis for this calculation as it reflects tangible and intangible assets the Group has added through its capital investment programme, the intangible assets the Group has added through acquisition, as well as the working capital requirements of the business.

The Group calculates ROIC as net Adjusted Operating Profit after tax ('NOPAT') divided by average invested capital. NOPAT is calculated as Adjusted Operating Profit plus share of profit of associates before tax, less tax at the effective rate in the Income Statement. Invested Capital is calculated as net assets (total assets less total liabilities) excluding Net Debt and the balance sheet value of derivatives not designated as fair value hedges, it also excludes retirement benefit obligations (net of deferred tax assets). Average Invested Capital is calculated by adding together the invested capital from the opening and closing balance sheet and dividing by two.

The following table sets forth the calculation of net operating profit after tax ('NOPAT') and invested capital used in the calculation of ROIC for the financial years indicated in respect of the Group.

	2017 £m	2016 £m
Adjusted Operating Profit	**140.1**	102.0
Share of profit of associates before tax	**0.9**	0.9
Taxation at the effective tax rate (A)	**(11.3)**	(1.7)
NOPAT	**129.7**	101.2
Invested capital		
Total assets	**2,038.4**	1,255.9
Total liabilities	**(1,327.6)**	(970.3)
Net Debt	**519.2**	331.8
Derivatives not designated as fair value hedges	**14.0**	22.5
Retirement benefit obligation (net of deferred tax asset)	**103.1**	134.7
Invested capital	**1,347.1**	774.6
Average invested capital for ROIC calculation (B)	**1,060.9**	734.7
ROIC (%)	**12.2**	13.8

(A) The effective tax rates for the financial year ended 29 September 2017 and 30 September 2016, were 8% and 2%, respectively.
(B) Opening capital for ROIC calculation for the financial year ended 30 September 2016 is £694.7 million.

Notes

Shareholder and Other Information

Greencore Group plc is an Irish registered company. Its Ordinary Shares are quoted on the London Stock Exchange (Symbol: GNC). Greencore has a Level 1 American Depositary Receipts programme (Symbol: GNCGY).

SHAREHOLDING STATISTICS AS AT 27 NOVEMBER 2017

Range of units	Total holders	Units	% of Issued Capital
0–1,000	5,007	1,685,458	0.24%
1,001–5,000	3,763	9,236,532	1.30%
5,001–10,000	1,027	7,170,278	1.02%
10,001–25,000	709	10,866,313	1.54%
25,001–100,000	299	13,927,566	1.97%
100,001–250,000	99	15,662,488	2.22%
250,001–500,000	46	17,116,042	2.42%
Over 500,000	163	630,739,436	89.29%
Total	**11,113**	**706,404,113**	**100.00%**

FINANCIAL CALENDAR

Record date for 2017 final dividend	8 December 2017
Annual General Meeting	30 January 2018
Payment date for 2017 final dividend	5 April 2018
Half-yearly financial report	22 May 2018
Financial year end	28 September 2018
Announcement of results	27 November 2018

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