

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

Interim Management Report

19 May 2020

Decisive response to COVID-19; strong financial and operational model in place to build back the business

Greencore Group plc ('Greencore' or the 'Group'), a leading manufacturer of convenience food in the UK, today issues its interim results for the 26 weeks ending 27 March 2020 and updates on its response to the COVID-19 pandemic.

HIGHLIGHTS ^{1,2,3}

- Comprehensive and rapid response to COVID-19 by keeping our people safe, feeding the UK, and protecting our business with focus now turning to building back Greencore volumes as social restriction measures are eased
- Reported revenue growth of 1.6% and Pro Forma Revenue Growth of 0.1%, impacted by effect of COVID-19 on food to go categories at the end of the period
- Adjusted Operating Profit of £38.3m and Adjusted EPS of 5.8 pence
- Net Debt (excluding lease liabilities) of £311.1m at 27 March 2020 with Net Debt: EBITDA of 2.1x as measured under financing agreements
- Total cash and undrawn committed facilities of £267.5m at 27 March 2020 with covenant waivers agreed for bank facilities; in addition, confirmation of eligibility, in principle, to access funding under the Covid Commercial Finance Facility (CCFF)
- As announced on 30 March 2020, the Group will not be proceeding with an interim FY20 dividend payment and today announces that it will not be proceeding with either a final FY20 or an interim FY21 dividend payment
- Appointment of Emma Hynes as Executive Director and Chief Financial Officer with effect from 19 May 2020

SUMMARY FINANCIAL PERFORMANCE ^{1,2,3}

	H1 20	H1 19	Change
	£m	£m	
Group Revenue	712.7	701.4	+1.6%
Pro Forma Revenue Growth			+0.1%
Adjusted EBITDA	63.8	62.5	+2.1%
Adjusted Operating Profit	38.3	44.7	-14.3%
Adjusted Operating Margin	5.4%	6.4%	-100 bps
Group Operating Profit	35.6	41.3	-13.8%
Adjusted Profit Before Tax	31.1	37.7	-17.5%
Group Profit Before Tax	27.3	5.7	+378.9%
Adjusted EPS (pence)	5.8	6.4	-9.4%
Group Exceptional Items (after tax)	0.4	28.8	
Basic EPS (pence)	5.3	10.5	-49.5%
Interim dividend per share (pence)	-	2.45	
Free Cash Flow	2.6	(19.4)	+£22.0m
Net Debt	374.4	284.1	
Net Debt (excluding lease liabilities)	311.1	284.1	
Net Debt:EBITDA as per financing agreements	2.1x	1.9x	
Return on Invested Capital ("ROIC")	12.3%	14.6%	-230bps

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

"I am hugely proud of the way in which our people have responded to the extraordinary challenges of COVID-19, and take this opportunity to publicly thank them for their role in keeping the UK fed over the last two months. We have implemented a broad range of actions to mitigate the impact of COVID-19 on our business and to position us for growth as the pandemic eases. More than ever before, our deep customer relationships, leadership positions in key food categories, well invested network, flexible model, and outstanding people are key strengths that ensure we trade our way resiliently through this uncertain period"

¹ The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Appendix to the Interim Financial Report.

² The implementation of IFRS 16 Leases has been adopted by the Group in its Interim Financial Report, with no restatement of comparative information for prior periods. The impact on the Group's results for the period are highlighted in this report with further details on the transition impact outlined in Note 2 and Note 11 to the Interim Financial Report.

³ Net Debt: EBITDA as per financing agreements and is calculated excluding the impact of IFRS 16.

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COVID-19 UPDATE

Three clear priorities

The Group is managing through this challenging trading environment with three priorities – keeping our people safe, feeding the UK, and protecting our flexible business. The organisation is functioning well in demanding working circumstances, with a resilient supply chain and production network enabling strong levels of customer service in a volatile demand environment.

Greencore is playing an important role in a food industry that has become a critical component of UK infrastructure through this pandemic. The Group's colleagues have been designated as 'key workers' and have performed with a powerful sense of commitment, skill, spirit, and purpose. Greencore is immensely grateful and proud of its own *Food Heroes* at this time. The Group is engaging continuously with regulatory bodies including the Health & Safety Executive and Public Health England, and in doing so has carried out an extensive range of measures to support and improve colleague safety across its manufacturing and distribution network. This strategy and these initiatives are consistent with the Group's broader sustainability agenda. These measures include a large number of social distancing measures in the workplace, the introduction of a range of new hygiene protocols, and the provision of support to colleagues who are working in manufacturing facilities and those who are working from home. Labour absence, either through illness or through caring for ill or vulnerable family members, has been managed effectively and sensitively.

Greencore is working hard with its customers, the Government and the local communities in which it operates to provide high quality freshly prepared food to both consumers and frontline workers during this pandemic. The Group is contributing to the Government's food parcels for the most vulnerable housebound people in the UK and is donating thousands of food to go products to NHS workers across numerous UK hospitals and care homes. In addition, it is supporting the food industry charity, FareShare, and many other local organisations and charities that provide support for those in need at this time.

Performance since period end

In the first six weeks of H2 20, the COVID-19 pandemic has had a dramatic and volatile impact on the shape of UK food consumption, though there are signs that demand patterns have recently begun to stabilise. Weekly demand in the Group's food to go categories declined by up to 70% and is currently less than 60% below prior year levels. There has been sustained growth in the Group's other convenience categories, in particular cooking sauces, with growth currently about 5% above prior year levels. Group revenue is now approximately 60% of prior year levels on a proforma basis.

In response to these changed levels of consumer demand and in order to maintain efficient production, the Group moved rapidly to simplify its product ranges with its customers. Greencore has worked collaboratively with its customers to quickly adapt to the effects of the lockdown while maintaining customer service and working together on ways to maintain the integrity of the supply chain, while planning for activation as social restrictions begin to ease.

The Group has taken prudent measures to protect profitability and cashflow to ensure maximum flexibility through this uncertain environment. It has:

- Tightened its food to go production network by temporarily ceasing production at its Bow, Atherstone and Heathrow facilities and rationalising production at its Northampton site.
- Furloughed a substantial proportion of colleagues, using the Government's Coronavirus Job Retention Scheme.
- Eliminated all non-essential operating costs including recruitment, travel, and other variable overheads.
- Announced on 30 March that the Board and the Executive Directors have voluntarily agreed to take a 30% reduction in respective fees and base salary for a period of three months, with the wider senior teams also taking a voluntary reduction of between 10% and 20% of base salary for the same period.

The impact from the full suite of mitigating actions is now returning the Group to modestly positive EBITDA.

Liquidity

The Group is also focussed on conserving balance sheet strength and liquidity, and retains substantial and increased financial headroom. Together with positive underlying market fundamentals and the Group's market position, this leaves Greencore well placed to deliver over the medium term.

Greencore had cash and undrawn committed bank facilities of £267.5m at 27 March 2020. This includes a newly agreed £75m committed debt facility which matures in March 2021.

- Since the end of H1 20, the Group secured formal agreement with its lending syndicate of banks to waive its Net debt: EBITDA covenant condition for the September 2020 and March 2021 test periods.

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- The Group is also in advanced stages of discussions with the Private Placement holders in respect of a waiver of the September 2020 and March 2021 leverage covenants contained in the Private Placement documentation and the Group expects that an agreement in respect of such waivers will be finalised and concluded in the coming weeks.
- In addition, the Group also confirms that it has received eligibility, in principle, to access funding under the Covid Corporate Financing Facility (CCFF).
- The Group will defer a substantial portion of non-essential capital expenditure.
- As previously announced, the Group is not proceeding with an interim FY20 dividend payment and the Group today announces that it will not be proceeding with either a final FY20 or an interim FY21 dividend payment.
- Where relevant, the Group has agreed to defer cash contributions into its legacy defined benefit pension schemes.

The Group believes that this provides more than sufficient liquidity to manage through a range of different cashflow scenarios including fluctuations in working capital over the next 12 months.

OUTLOOK - BUILDING BACK FOR BETTER

Whilst COVID-19 is clearly impacting Greencore's performance in the short-term, the Group has taken a comprehensive set of actions to ensure that it is strongly positioned to build back the business as social restriction measures are eased. Greencore's medium-term strategic ambition remains focussed on optimising its growth potential in UK convenience food markets, supported by disciplined strategic investment. The Group's confidence in achieving this ambition is underpinned by its fundamental strengths; deep customer relationships, leadership positions across attractive food to go categories, a well invested and highly flexible network, an experienced and ambitious team, a comprehensive capability set and a positive resilient culture.

The Group is in close dialogue with customers on how to optimise its operating model to respond to evolving demand requirements, and the Group's commercial teams are exploring what future shopping trends and buying behaviours are expected to look like as the situation develops. The Group has demonstrated its agility and flexibility in responding positively to the immediate challenges of COVID-19 and expects to be able to deploy this agility again with customers as the pandemic eases.

Given the ongoing level of uncertainty around the possible duration and impact of COVID-19, the Group's financial guidance for FY20 was suspended on 30 March and the Group's outlook for FY20 included in the FY19 Full Year Results Statement and FY20 Q1 Trading Update should no longer be considered current.

ADOPTION OF IFRS 16 LEASES

On 28 September 2019 the Group adopted IFRS 16 *Leases*, the new accounting standard for leases. The Group transitioned to the standard using the modified retrospective approach, which does not require the restatement of comparative periods. On transition the Group recognised a right-of-use lease asset of £41.2m and a lease liability of £46.4m. The impact on the Group's H1 20 results are detailed in the Financial Review, and are summarised as follows;

Performance Measures	£m
EBITDA	+6.3
Group Operating Profit	+0.3
Group Profit before taxation	-0.2
Basic EPS (p)	Immaterial
Net Debt	+63.3

The impact of IFRS 16 on the Group's APMs are detailed in the Appendix to this Report.

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Forward-looking statements

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

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

This announcement contains inside information for the purposes of the Market Abuse Regulation

PRESENTATION

A webcast presentation of the results for analysts and institutional investors will take place at 8.30am today. This presentation can also be accessed live from the Investor Relations section on www.greencore.com or alternatively via conference call.

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

Ireland number:	+353 (0)1 431 9615
UK number:	+44 (0)20 7192 8000
US number:	+1 631 510 7495
Confirmation code:	1582857

A replay of the presentation will be available on www.greencore.com and also through a 7 day conference call replay facility.

Ireland replay number:	+353 (0)1 553 8777
UK replay number:	+44 (0)33 3300 9785
US replay number:	+1 917 677 7532
Replay code:	1582857

For further information, please contact:

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About Greencore

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

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

For further information go to www.greencore.com or follow Greencore on social media.

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OPERATING REVIEW ^{1,2,3}

Convenience Foods UK & Ireland

	H1 20 £m	H1 19 £m	Change (As reported)	Change (Pro Forma basis)
Revenue	712.7	701.4	+1.6%	+0.1%
Adjusted Operating Profit	38.3	44.7	-14.3%	
Adjusted Operating Margin %	5.4%	6.4%	-100 bps	
Group Operating Profit	35.6	41.3	-13.8%	

Strategic developments

In H1 20, the Group executed well against the commercial, operational and organisational objectives introduced during FY19. This good momentum provided a strong foundation from which to respond to the challenges presented by the COVID-19 outbreak. It will also form a critical element of the Group's capability to accelerate its growth again as the measures to combat the pandemic are eased.

Freshtime, acquired in September 2019, performed well in H1 20. It is integrating well into the Group and has successfully extended the Group's presence in meal salads and chilled snacking. Commercial activity has been encouraging, including increased engagement with existing Group customers, and as such the business provides a platform to drive growth and improve returns in these categories. The Group also continued to benefit from the reset of its ready meals product and facility footprint at Warrington, Kiveton and Consett in FY19. Furthermore, the Group continued to invest in a range of services to increase its relevance across the value chain, including a new distribution centre in Tamworth that will enhance capacity and maximise cost and operational efficiencies in the Group's Direct to Store distribution model.

In H1 20 the Group also made good operational and organisational progress. The Group advanced its pilot automation programme with multiple additional projects initiated in the period that will continue to be supported through the rest of the year. Greencore has also progressed its sustainability agenda in the period, notably in food packaging where the Group made significant progress alongside customers in developing innovative solutions for the recyclability of sandwich skillnets.

Engagement and collaboration with customers deepened as the full impacts of the COVID-19 pandemic became apparent. Joint initiatives that were already in place on supply chain, waste and availability were modified to reflect the rapid change in consumer demand and shopper behaviours.

Performance

Reported revenue increased by 1.6% to £712.7m in H1 20. Pro Forma Revenue Growth was 0.1%, after adjusting for the acquisition of Freshtime, the exit of longer life ready meals manufacturing at the Kiveton facility in H1 19, and any movement in foreign exchange. Adjusted Operating Profit fell by 14.3% to £38.3m and Adjusted Operating Margin fell by 100bps to 5.4%.

While the UK trading environment remained subdued for much of the period, there were some signs of improvement before the UK Government's escalating measures in March to combat the outbreak of COVID-19. The business was significantly impacted in the second half of March by the effect that these measures had on consumer demand, most particularly in food to go categories.

H1 20 revenue in the Group's food to go categories (comprising sandwiches, salads, sushi and chilled snacking) totalled £455.8m and accounted for approximately 64% of reported revenue. Reported revenues increased by 1.9% in these categories, driven by the acquisition of Freshtime. Excluding this acquisition, Pro Forma Revenue declined by 2.1%.

Underlying product revenue growth in food to go categories was broadly in line with plan for most of H1 20. The final two weeks of the trading period were negatively impacted by significantly reduced demand in grocery retail, as well as the restrictions on trading activity applied to other convenience and food service channels.

Revenue for the distribution of third party products accounted for approximately 6% of Group revenue. Following the acquisition of Freshtime in September 2019, revenue from its products that were previously distributed by Greencore is now classified as underlying product revenue.

The Group's other convenience categories comprise activities in the chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Pudding categories, as well as Irish ingredients trading businesses. Reported revenue across these businesses increased by 1.0% to £256.9m. Pro Forma Revenue increased by 4.0%, when adjusting for movements in foreign exchange and excluding sites that have ceased trading. This was driven by strong growth in ambient cooking sauces, ready meals, soups and quiche based products in the final month of the period. The Group's cooking sauce business benefitted in particular from higher demand during the final two weeks of the trading period. Revenue in the Group's Irish ingredients trading businesses declined modestly in the period.

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Inflation trends in the Group's main UK cost components were broadly as anticipated. Raw material and packaging costs rose by under 1% in H1 20. Direct labour inflation in the UK rose by approximately 5%.

Overall, Adjusted Operating Profit declined by £6.4m to £38.3m. In its food to go categories, while the performance benefitted from the addition of the Freshtime business, the Group experienced a decline in profitability driven in large part by a deteriorating performance in the second half of March which happened before any mitigating measures could be fully implemented. This decline was only partly offset by an improvement in the Group's other convenience categories, in particular in the ready meals business following the reset of its product and facility footprint over the last year.

Group Cash Flow and Returns

	H1 20 £m	H1 19 £m	Change (as reported)
Free Cash Flow	2.6	(19.4)	+£22.0m
Net Debt	374.4	284.1	
Net Debt (excluding lease liabilities)	311.1	284.1	
Net Debt: EBITDA as per financing agreements	2.1x	1.9x	
ROIC	12.3%	14.6%	-230bps

Strategic developments

In H1 20 the Group focussed on balance sheet strength and liquidity, extending the maturity of its £340m revolving credit bank facility to January 2025 and entering into a new revolving credit bank facility of £75m maturing in March 2021.

The Group retains substantial and increased financial headroom, with cash and undrawn committed bank facilities of £267.5m at 27 March 2020.

Subsequent to the end of H1, the Group secured formal agreement with its lending syndicate of banks to waive its net debt: EBITDA covenant condition for the September 2020 and March 2021 test periods. The Group is also in advanced stages of discussions with the Private Placement holders in respect of a waiver of the September 2020 and March 2021 leverage covenants contained in the Private Placement documentation and the Group expects that an agreement in respect of such waivers will be finalised and concluded in the coming weeks.

In addition, the Group confirms that it has received eligibility, in principle, to access funding under the Covid Corporate Financing Facility (CCFF).

The Group today announces that it will not be proceeding with either a final FY20 or an interim FY21 dividend payment. The Group will seek to reinstate dividend payments as soon as is practicable thereafter in accordance with its capital allocation strategy.

The Group also plans to defer a substantial portion of non-essential capital expenditure which was planned for FY20.

The Group's capital allocation model has ensured a prudent financial profile for the business and a strong foundation from which to respond to the challenges presented by the COVID-19 outbreak.

Performance

Free Cash Flow was a modest £2.6m inflow in H1 20 compared with an outflow of £19.4m in H1 19 which included the disposal of the US business. The improvement was driven by lower working capital outflows, a decrease in exceptional cash flows, and the non-recurrence of cash outflows associated with discontinued operations.

Net Debt increased to £374.4m at the end of H1 20. This included the impact of IFRS 16 lease obligations of £63.3m. Net Debt (excluding lease liabilities) increased to £311.1m from £284.1m at the end of H1 19 and £288.5m at the end of FY19. The Group's Net Debt: EBITDA leverage as measured under financing agreements was 2.1x at period end, compared to 1.9x at the end of March 2019 and 1.8x at the end of September 2019. Net Debt: EBITDA as measured under financing agreements is calculated excluding the impact of IFRS 16.

ROIC was 12.3% for the 12 months ended 27 March 2020, compared to 14.6% for the 12 months ended 29 March 2019. The reduction was driven by increased investment over the last 12 months, in particular the acquisition of Freshtime, and also the impact of the recognition of leases on the Groups balance sheet under IFRS 16.

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FINANCIAL REVIEW ^{1,2}

Revenue and Operating Profit

Reported revenue in the period was £712.7m, an increase of 1.6% compared to H1 19, primarily reflecting the acquisition of Freshtime in H2 20 and the exit of longer life ready meals manufacturing in H1 19. Pro Forma Revenue Growth was 0.1%.

Group Operating Profit declined by £5.7m to £35.6m primarily driven by deterioration in profitability, as revenue from food to go categories declined in the second half of March due to the impact of COVID-19. Adjusted Operating Profit of £38.3m declined £6.4m on the prior period, also driven by the impact of trading performance in late March and includes the impact of IFRS 16. Adjusted Operating Margin was 5.4%, 100 basis points lower than the prior period.

Net finance costs

The Group's net bank interest payable was £7.2m in H1 20, a decrease of £0.5m versus H1 19. The decrease was driven by closing out swaps in the prior period.

The Group's non-cash finance charge in H1 20 was £1.5m (H1 19: £3.1m). The Group recognised a £0.5m interest charge relating to the unwinding of the IFRS 16 lease liability in the period. The change in the fair value of derivatives and related debt adjustments in the period netted to nil (H1 19 charge: £1.8m). The non-cash pension financing charge of £1.0m was £0.3m lower than the H1 19 charge of £1.3m.

Profit before taxation

The Group's Profit before taxation increased to £27.3m in H1 20 from £5.7m in H1 19, as higher finance costs in the prior period, which includes an exceptional finance charge, offsets the decline in Group Operating Profit in the current period. Adjusted Profit Before Tax in the period was £31.1m, a decrease of £6.6m from £37.7m in H1 19, primarily driven by a reduction in the Group's Adjusted Operating Profit and a reduction in net interest expense.

Taxation

The Group's effective tax rate in H1 20 (including the tax impact associated with pension finance items) was 13% (H1 19: 15%). This reflects the rate benefit resulting from the restatement of the deferred tax assets, arising from the decision by the UK Government to maintain the UK corporation tax rate at 19%. This decision not to decrease the UK corporation tax rate to 17% results in a one-off tax credit to the income statement, with a corresponding increase to the Groups net deferred tax asset.

Exceptional items

The Group had an after tax exceptional credit of £0.4m, comprised as follows:

Exceptional Items	£m
Impact of COVID-19 pandemic	(1.7)
Legacy US legal matters	2.2
Integration costs	(0.5)
Exceptional items (before tax)	-
Tax credit on exceptional items	0.4
Exceptional items (after tax)	0.4

These charges are described in Note 5 to the Condensed Group Financial Statements.

Earnings per share

Basic earnings per share for total operations was 5.3 pence (H1 19: 10.5 pence). This was driven by a £41.8m decrease in earnings due to the reduction in profits as a result of the disposal of the Groups US business and the decline in profitability in the food to go categories in late March. Basic earnings per share also benefitted from a reduction of 261m in the number of shares in issue as a result of the tender offer which was executed in January 2019. The weighted average number of shares in issue in H1 20 was 443.3m (H1 19: 620.9m). Adjusted earnings per share was 5.8 pence (H1 19: 6.4 pence)

Cash Flow and Net Debt

Adjusted EBITDA was £1.3m higher in H1 20 at £63.8m, after the impact of IFRS 16. The Group incurred a net working capital outflow of £21.8m. Maintenance capital expenditure of £11.2m was incurred in the period (H1 19: £12.8m). The cash outflow in respect of exceptional charges was £2.6m (H1 19: £7.7m), of which £2.1m related to prior year exceptional charges.

Interest paid in the period was £7.5m, including interest on lease liabilities (H1 19: £9.2m) primarily reflecting the impact of closing out swaps in the prior year. Cash tax increased by £2.6m to £4.2m due to a one-off change in rules for the timing of UK corporation tax payments impacting H1 20, resulting in a cash tax rate in the period of 15.6% (H1 19: 4.7%). The cash tax

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rate for the Group is expected to rise towards the Group's effective rate in the medium term as a result of increased profitability and a reduction in the degree to which UK losses may be utilised in any one year. The Group's cash funding for defined benefit pension schemes was £7.8m (H1 19: £8.0m).

These movements resulted in a Free Cash inflow of £2.6m compared to an outflow of £19.4m in H1 19 driven by lower working capital outflows, a decrease in exceptional cash flows, and the non-recurrence of cash outflows associated with discontinued operations.

In H1 20, the Group incurred strategic capital expenditure of £9.9m (H1 19: £6.1m including £1.2m on discontinued operations)

Equity dividend cash payments decreased significantly to £16.7m (H1 19: £39.4m). The H1 20 payment was made on a reduced number of shares, reflecting the impact of the Group's tender offer which was executed in January 2019. The prior year period also included the change in the phasing of dividend cash payments resulting from the removal of the scrip dividend option (both the interim and final dividend for FY18 were paid during H1 19).

The Group's Net Debt at 27 March 2020 was £374.4m, an increase of £90.3m compared to the prior year period, primarily driven by IFRS 16 lease obligations of £63.3m and the acquisition of Freshtime in September 2019.

Financing

In the period the Group extended the maturity of its £340m committed bank facility by one year to 2025. It also secured an additional £75m committed debt facility which matures in March 2021. The Group had cash and undrawn committed facilities of £267.5m at 27 March 2020, compared to £216.6m as at 27 September 2019.

As at 27 March 2020 the Group's committed facilities had a weighted average maturity of 3.8 years and comprised:

- A £340m revolving credit bank facility with a maturity date of January 2025.
- A £50m bilateral bank facility with a maturity date of January 2022.
- £114.9m of outstanding Private Placement notes with maturities ranging between October 2021 and June 2026.
- A revolving credit bank facility of £75m, with a maturity date of March 2021.

In addition, the Group has received eligibility, in principle, to access funding under the Covid Corporate Financing Facility (CCFF).

Pensions

All legacy defined benefit pension schemes are closed to future accrual. The net pension deficit relating to legacy defined pension schemes, before related deferred tax, at 27 March 2020 was £52.3m, £39.7m lower than the position at 27 September 2019. The net pension deficit after related deferred tax was £39.2m, a decrease of £35.6m from 27 September 2019. The decrease in net pension deficit was driven principally by a decrease in UK scheme liabilities, resulting in a £32.0m actuarial gain, as relevant bond yield assumptions increased offset by a reduction in the return on scheme assets following the impact of COVID-19 on capital markets in March 2020.

The valuations and funding obligations of the Group's legacy defined benefit pension schemes are assessed on a triennial basis with the relevant trustees. Following the most recent reviews, the Group's annual cash funding requirement for defined benefit pension schemes is approximately £15m. The Group is assessing opportunities to further de-risk liabilities, that if implemented, could modestly increase annual cash funding requirements. During the period, the Trustees of one of the smaller UK legacy defined benefit schemes, completed a buy-out of the scheme, transferring insurance policies to individual scheme members removing the scheme liabilities from the Group's Statement of Financial Position.

Dividends

The Group announced on 30 March 2020 that it is not proceeding with an interim FY20 dividend payment and today announces that it will not be proceeding with either a final FY20 or an interim FY21 dividend payment. The Group will seek to reinstate dividend payments as soon as is practicable thereafter in accordance with its capital allocation strategy.

Principal risks and uncertainties

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

The Board has also considered an additional risk factor, relating to the financial and operational impacts associated with COVID-19, to be applicable in the second half of the year. Greencore management are continuing to perform detailed assessments of the continuing risks faced specifically in relation to COVID-19, and defined strategies for mitigating these risks and the specific actions for achieving these are already underway.

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A description of the risks and uncertainties, including the risks associated with COVID-19, are set out in the Appendix to the Interim Financial Report.

Responsibility Statement

The Directors are responsible for preparing the Interim Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with IAS 34 Interim Financial Reporting as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

- the Condensed Group Financial Statements for the half year ended 27 March 2020 have been prepared in accordance with the international accounting standard applicable to interim financial reporting adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the Interim Management Report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the Condensed Group Financial Statements for the half year ended 27 March 2020 and a description of the principal risks and uncertainties for the remaining six months; and
- the Interim Management Report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties' transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

P.F. Coveney
Chief Executive Officer
Date: 18 May 2020

E.P. Tonge
Chief Financial Officer
Date: 18 May 2020

INTERIM FINANCIAL REPORT
For the half year ended 27 March 2020
CONDENSED GROUP INCOME STATEMENT
for the half year ended 27 March 2020

	Notes	Half year ended 27 March 2020 (Unaudited)			Half year ended 29 March 2019 (Unaudited)		
		Pre- exceptional £m	Exceptional (Note 5) £m	Total £m	Pre- exceptional £m	Exceptional (Note 5) £m	Total £m
Continuing operations							
Revenue	3	712.7	–	712.7	701.4	–	701.4
Cost of sales		(475.7)	–	(475.7)	(467.8)	–	(467.8)
Gross profit		237.0	–	237.0	233.6	–	233.6
Operating costs, net		(198.7)	–	(198.7)	(188.9)	(3.0)	(191.9)
Group operating profit before acquisition related amortisation							
Amortisation of acquisition related intangibles	3	38.3	–	38.3	44.7	(3.0)	41.7
		(2.7)	–	(2.7)	(0.4)	–	(0.4)
Group operating profit		35.6	–	35.6	44.3	(3.0)	41.3
Finance income	6	0.1	–	0.1	0.7	–	0.7
Finance costs	6	(8.8)	–	(8.8)	(11.5)	(25.4)	(36.9)
Share of profit of associates after tax		0.4	–	0.4	0.6	–	0.6
Profit before taxation		27.3	–	27.3	34.1	(28.4)	5.7
Taxation	7	(3.5)	0.4	(3.1)	(5.4)	0.5	(4.9)
Profit for the financial period from continuing operations		23.8	0.4	24.2	28.7	(27.9)	0.8
Discontinued operations							
Result from discontinued operations	15	–	–	–	8.9	56.7	65.6
Profit for the financial period		23.8	0.4	24.2	37.6	28.8	66.4
Attributable to:							
Equity shareholders		22.9	0.4	23.3	36.3	28.8	65.1
Non-controlling interests		0.9	–	0.9	1.3	–	1.3
		23.8	0.4	24.2	37.6	28.8	66.4
Earnings per share (pence) – continuing operations							
Basic earnings per share	9			5.3			(0.1)
Diluted earnings per share	9			5.2			(0.1)
Earnings per share (pence) – total							
Basic earnings per share	9			5.3			10.5
Diluted earnings per share	9			5.2			10.5

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 27 March 2020

	Half year ended 27 March 2020 (Unaudited) £m	Half year ended 29 March 2019 (Unaudited) £m
Items of income and expense taken directly to equity for continuing and discontinued operations		
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on Group legacy defined benefit pension schemes	32.0	(11.1)
Deferred tax on Group legacy defined benefit pension schemes	(2.7)	1.9
	29.3	(9.2)
Items that may subsequently be reclassified to profit or loss:		
Currency translation adjustment	1.0	9.4
Translation reserve transferred to Income Statement on discontinued operations	–	(24.5)
Net investment hedge transferred to Income Statement for the period	–	22.3
Cash flow hedges:		
fair value movement taken to equity	2.4	(2.2)
transfer to Income Statement for the period	0.1	1.6
	3.5	6.6
Net income/(expense) recognised directly within equity	32.8	(2.6)
Profit for the financial period	24.2	66.4
Total comprehensive income for the financial period	57.0	63.8
Attributable to:		
Equity Shareholders	56.1	62.7
Non–controlling interests	0.9	1.1
Total comprehensive income for the financial period	57.0	63.8
Attributable to:		
Continuing operations	57.0	6.4
Discontinued operations	–	57.4
Total comprehensive income for the financial period	57.0	63.8

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

at 27 March 2020

	Notes	March 2020 (Unaudited) £m	September 2019 (Audited) £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	10	480.9	483.3
Property, plant and equipment	10	333.3	332.5
Right-of-use leased assets	11	57.0	–
Investment property	10	5.8	5.8
Investments in associates		1.3	1.2
Retirement benefit assets	14	49.3	36.4
Derivative financial instruments	12	6.5	5.5
Deferred tax assets		32.5	37.1
Total non-current assets		966.6	901.8
Current assets			
Inventories		48.0	45.9
Trade and other receivables		171.3	173.8
Current tax receivable		0.5	0.7
Cash and cash equivalents		34.5	41.6
Total current assets		254.3	262.0
Total assets		1,220.9	1,163.8
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		4.5	4.5
Share premium		0.4	0.1
Reserves		331.7	294.8
		336.6	299.4
Non-controlling interests		4.9	6.4
Total equity		341.5	305.8
LIABILITIES			
Non-current liabilities			
Borrowings	12	345.6	330.1
Derivative financial instruments	12	2.8	3.3
Lease liabilities	11	49.0	–
Retirement benefit obligations	14	101.6	128.4
Other payables		3.7	3.7
Provisions	13	5.1	6.7
Deferred tax liabilities		6.4	6.9
Total non-current liabilities		514.2	479.1
Current liabilities			
Derivative financial instruments	12	0.2	0.3
Lease liabilities	11	14.3	–
Trade and other payables		335.5	358.4
Provisions	13	3.7	5.5
Current tax payable		11.5	14.7
Total current liabilities		365.2	378.9
Total liabilities		879.4	858.0
Total equity and liabilities		1,220.9	1,163.8

INTERIM FINANCIAL REPORT
For the half year ended 27 March 2020
CONDENSED GROUP STATEMENT OF CASH FLOWS
for the half year ended 27 March 2020

	Notes	Half year ended 27 March 2020 (Unaudited) £m	Half year ended 29 March 2019 (Unaudited) £m
Profit before taxation		27.3	5.7
Finance income		(0.1)	(0.7)
Finance costs		8.8	11.5
Share of profit of associates after tax		(0.4)	(0.6)
Exceptional items		–	28.4
Continuing Operating Profit (pre-exceptional)		35.6	44.3
Discontinued Operating Profit (pre-exceptional)	15	–	9.1
Operating Profit (pre-exceptional)		35.6	53.4
Depreciation		22.9	16.0
Amortisation of intangible assets		5.3	2.2
Employee share-based payment expense		0.9	1.5
Contributions to Group legacy defined benefit pension schemes		(7.8)	(8.0)
Working capital movement		(21.8)	(51.2)
Other movements		–	(0.3)
Net cash inflow from operating activities before exceptional items		35.1	13.6
Cash outflow related to exceptional items		(2.6)	(7.7)
Interest paid (including lease liability interest)		(7.5)	(9.2)
Tax paid		(4.2)	(1.6)
Net cash inflow/(outflow) from operating activities		20.8	(4.9)
Cash flow from investing activities			
Dividends received from associates		0.3	0.5
Purchase of property, plant and equipment		(19.3)	(18.3)
Purchase of intangible assets		(1.8)	(0.6)
Disposal of undertakings	15	–	811.4
Net cash (outflow)/inflow from investing activities		(20.8)	793.0
Cash flow from financing activities			
Proceeds from issue of shares		0.3	–
Ordinary shares purchased – own shares		–	(0.6)
Drawdown of bank borrowings	12	16.8	42.0
Repayment of bank borrowings	12	–	(210.0)
Repayment of non-bank borrowings	12	–	(63.1)
Repayment of private placement notes	12	–	(14.6)
Repayment of lease liabilities	11	(4.9)	(0.4)
Dividends paid to equity holders of the Company		(16.7)	(39.4)
Dividends paid to non-controlling interests		(2.4)	(2.2)
Capital return via tender offer		–	(509.0)
Termination of swaps		–	(12.6)
Net cash outflow from financing activities		(6.9)	(809.9)
Net decrease in cash and cash equivalents		(6.9)	(21.8)
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at beginning of period		41.6	37.0
Translation adjustment		(0.2)	0.3
Decrease in cash and cash equivalents		(6.9)	(21.8)
Cash and cash equivalents at end of period		34.5	15.5

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the half year ended 27 March 2020

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interest £m	Total equity £m
At 27 September 2019	4.5	0.1	116.8	178.0	299.4	6.4	305.8
IFRS 16 Leases transition adjustment (note 2)	–	–	–	(3.4)	(3.4)	–	(3.4)
At 28 September 2019	4.5	0.1	116.8	174.6	296.0	6.4	302.4
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	1.0	–	1.0	–	1.0
Cashflow hedge fair value movement taken to equity	–	–	2.4	–	2.4	–	2.4
Cashflow hedge transferred to Income Statement	–	–	0.1	–	0.1	–	0.1
Actuarial gain on Group legacy defined benefit pension schemes	–	–	–	32.0	32.0	–	32.0
Deferred tax on Group legacy defined benefit pension schemes	–	–	–	(2.7)	(2.7)	–	(2.7)
Profit for the financial period	–	–	–	23.3	23.3	0.9	24.2
Total recognised income and expense for the financial period	–	–	3.5	52.6	56.1	0.9	57.0
Employee share-based payment expense	–	–	0.9	–	0.9	–	0.9
Exercise, lapse or forfeit of share-based payments	–	0.3	(2.6)	2.6	0.3	–	0.3
Shares acquired by Employee Benefit Trust	–	–	(0.1)	0.1	–	–	–
Transfer to Retained Earnings on grant of shares to beneficiaries of the Employee Benefit Trust	–	–	5.0	(5.0)	–	–	–
Dividends	–	–	–	(16.7)	(16.7)	(2.4)	(19.1)
At 27 March 2020	4.5	0.4	123.5	208.2	336.6	4.9	341.5

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the half year ended 27 March 2020

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interest £m	Total equity £m
At 28 September 2018	7.1	650.8	105.1	(25.8)	737.2	6.4	743.6
IFRS 9 transition adjustment	–	–	–	(0.9)	(0.9)	–	(0.9)
At 29 September 2018	7.1	650.8	105.1	(26.7)	736.3	6.4	742.7
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	9.6	–	9.6	(0.2)	9.4
Translation reserve transferred to income statement on discontinued operations	–	–	(24.5)	–	(24.5)	–	(24.5)
Net investment hedge transferred to Income Statement	–	–	22.3	–	22.3	–	22.3
Cashflow hedge fair value movement taken to equity	–	–	(2.2)	–	(2.2)	–	(2.2)
Cashflow hedge transferred to Income Statement	–	–	1.6	–	1.6	–	1.6
Actuarial loss on Group legacy defined benefit pension schemes	–	–	–	(11.1)	(11.1)	–	(11.1)
Deferred tax on Group legacy defined benefit pension schemes	–	–	–	1.9	1.9	–	1.9
Profit for the financial period	–	–	–	65.1	65.1	1.3	66.4
Total recognised income and expense for the financial period	–	–	6.8	55.9	62.7	1.1	63.8
Employee share-based payment expense	–	–	1.5	–	1.5	–	1.5
Tax on share-based payments	–	–	–	0.1	0.1	–	0.1
Exercise, lapse or forfeit of share-based payments	–	–	(1.5)	0.8	(0.7)	–	(0.7)
Shares acquired by Employee Benefit Trust	–	–	(0.8)	0.2	(0.6)	–	(0.6)
Transfer to Retained Earnings on grant of shares to beneficiaries of the Employee Benefit Trust	–	–	0.7	(0.7)	–	–	–
Share capital reduction	–	(650.8)	–	650.8	–	–	–
Capital Return via tender offer	(2.6)	–	2.6	(509.0)	(509.0)	–	(509.0)
Dividends	–	–	–	(23.8)	(23.8)	(2.2)	(26.0)
At 29 March 2019	4.5	–	114.4	147.6	266.5	5.3	271.8

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY (continued)

for the half year ended 27 March 2020

OTHER RESERVES

	Share options £m	Own shares £m	Undenominated capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Total £m
At 27 September 2019	4.8	(8.2)	120.4	(1.0)	0.8	116.8
Items of income and expense taken directly to equity						
Currency translation adjustment	–	–	–	–	1.0	1.0
Cash flow hedge fair value movement taken to equity	–	–	–	2.4	–	2.4
Cash flow hedge transferred to Income Statement	–	–	–	0.1	–	0.1
Total recognised income and expense for the financial period	–	–	–	2.5	1.0	3.5
Employee share-based payment expense	0.9	–	–	–	–	0.9
Exercise, lapse or forfeit of share-based payments	(2.6)	–	–	–	–	(2.6)
Shares acquired by Employee Benefit Trust	–	(0.1)	–	–	–	(0.1)
Transfer to Retained Earnings on grant of shares to beneficiaries of the Employee Benefit Trust	–	5.0	–	–	–	5.0
At 27 March 2020	3.1	(3.3)	120.4	1.5	1.8	123.5

	Share options £m	Own shares £m	Undenominated capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Total £m
At 28 September 2018	4.2	(8.1)	117.8	(1.5)	(7.3)	105.1
Items of income and expense taken directly to equity						
Currency translation adjustment	–	–	–	–	9.6	9.6
Translation reserve transferred to Income Statement on discontinued operations	–	–	–	–	(24.5)	(24.5)
Net investment hedge	–	–	–	–	22.3	22.3
Cash flow hedge fair value movement taken to equity	–	–	–	(2.2)	–	(2.2)
Cash flow hedge transferred to Income Statement	–	–	–	1.6	–	1.6
Total recognised income and expense for the financial period	–	–	–	(0.6)	7.4	6.8
Employee share-based payment expense	1.5	–	–	–	–	1.5
Exercise, lapse or forfeit of share-based payments	(1.5)	–	–	–	–	(1.5)
Shares acquired by Employee Benefit Trust	–	(0.8)	–	–	–	(0.8)
Transfer to Retained Earnings on grant of shares to beneficiaries of the Employee Benefit Trust	–	0.7	–	–	–	0.7
Capital return via tender offer	–	–	2.6	–	–	2.6
At 29 March 2019	4.2	(8.2)	120.4	(2.1)	0.1	114.4

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

1. Basis of preparation

The Condensed Group Financial Statements of Greencore Group Plc (the 'Group'), which are presented in sterling and expressed in millions, unless otherwise indicated, have been prepared as at, and for the 26 week period ended, 27 March 2020, and have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and IAS 34 *Interim Financial Reporting* as adopted by the European Union.

These Condensed Group Financial Statements do not comprise statutory accounts within the meaning of Section 340 of the Companies Act 2014. The condensed Group financial information for the year ended 27 September 2019 represents an abbreviated version of the Group Financial Statements for that year. Those financial statements, upon which the auditor issued an unqualified audit report, have been filed with the Registrar of Companies.

In the prior year the results of Greencore's US business were presented within profit from discontinued operations in the Condensed Group Income Statement, following its disposal in November 2018.

Going concern

The directors, after making enquiries, have a reasonable expectation that the Group has adequate resources to continue operating as a going concern for the foreseeable future. In particular, the directors have taken into consideration cashflow projections from potential stress scenarios regarding the duration of the current COVID-19 lockdown and the timing of recovery as the measures on social distancing are eased.

The implementation of social restriction measures by the UK government, has resulted in a marked decline in Group revenue. The current unprecedented economic environment has created uncertainty in relation to the timing of a return to efficient production, the ongoing availability and extent of certain government supports, future consumer behaviour and the associated recovery of volumes and margins. The timing and shape of recovery is uncertain and accordingly, the Group has modelled a number of scenarios, taking account of current levels of trading, consequential impact on cashflows, including working capital, and availability of support from the UK government. These scenarios are as follows:

- a gradual ramp up from current volumes between June 2020 and October 2020, but not reaching FY19 volume levels until October 2021;
- a slower more gradual ramp up from current volumes between June 2020 and January 2021, again not reaching FY19 volume levels until October 2021;
- a gradual ramp up from current volumes from June 2020, followed by a second lockdown in the winter of 2020, with a gradual ramp up from January 2021, again not reaching FY19 volume levels until October 2021.

These scenarios include various mitigation measures including deferring certain cashflows. In all scenarios, the Group has more than sufficient headroom in its available resources.

The resources the Group has available include cash and undrawn committed bank facilities of £267.5m as at 27 March 2020. The directors have taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period.

- The Group has secured formal agreement with its lending syndicate of banks to waive its Net Debt: EBITDA covenant condition for the September 2020 and March 2021 test periods.
- The Group is in advanced stages of discussions with the Private Placement holders in respect of a waiver of the September 2020 and March 2021 leverage covenants contained in the Private Placement documentation and the Group expects that an agreement in respect of such waivers will be finalised and concluded in the coming weeks.
- The Group has agreed with its lenders that no dividend will be declared or paid for the duration of the waiver period.

The Group's headroom was increased further following confirmation of its eligibility, in principle, to access funding under the Covid Corporate Financing Facility (CCFF).

Based on these scenarios and the resources available to the Group, the directors believe the Group has more than sufficient liquidity to manage through a range of different cashflow scenarios over the next 12 months. Given the Group's strong liquidity position, the directors adopt the going concern basis in preparing the Condensed Group Financial Statements.

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

1. Basis of Preparation (continued)

Critical Accounting Estimates and Judgements

The preparation of the Condensed Group Financial Statements requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based or as a result of new information or more experience. Such changes are reflected in the period in which the estimate was revised.

In preparing the Condensed Group Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the 52 weeks ended 27 September 2019 with the addition of assessing the impact of COVID-19 as set out below.

Impact of COVID-19

As at the 27 March 2020, the UK was in social 'lockdown' as a result of its response to the COVID-19 pandemic, requiring the Group to reflect the impact in its results for the half year.

The Group has considered the impact of COVID-19 and has taken measures in response to the pandemic. The Group has tightened its food to go production network by temporarily ceasing production at its Bow, Atherstone and Heathrow facilities and rationalising production at its Northampton site. The Group has considered the impact of these measures and the impact of the reduction in revenue with respect to all judgements and estimates it makes in the application of the Groups accounting policies. The rationalisation impacts have been factored into the Group's financial statements at 27 March 2020, including the impact on recoverability of inventory, trade receivables and other assets.

Management have also carried out impairment testing of assets including goodwill at the reporting date incorporating scenarios regarding the duration and recovery from the current COVID-19 lockdown. The testing did not result in an impairment at balance sheet date.

2. Accounting Policies

The accounting policies, critical accounting estimates and judgments and methods of computation adopted in the preparation of the Condensed Group Financial Statements are consistent with those applied in the Annual Report for the financial year ended 27 September 2019 and are as set out in those financial statements.

New accounting standards adopted in the current period:

IFRS 16 Leases

IFRS 16 *Leases* sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term greater than a year.

The Group has adopted IFRS 16 *Leases* using the modified retrospective approach. Therefore the cumulative effect of adopting IFRS 16 *Leases* was recognised as an adjustment to the opening balance of retained earnings at 28 September 2019 with no restatement of comparative information. The adjustment to retained earnings includes the deferred tax asset recognised on transition and after adjusting for existing lease incentives now included in the right-of-use leased asset.

On adoption of IFRS 16 *Leases*, the Group recognised liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Groups' incremental borrowing rate as of 28 September 2019. The weighted average incremental borrowing rate applied is 2.2%.

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

- The use of a single discount rate for portfolios of leases with reasonably similar characteristics.
- Accounting for low value operating leases and certain operating leases with a remaining lease term of less than 12 months as at 28 September 2019 on straight line basis as an expense without recognising a right-of-use asset or a lease liability.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of IFRS 16 had a material impact on the Group's Condensed Financial Statements which are set out below:

Group Statement of Financial position as at 28 September 2019

- Right-of-use leased assets	+£41.2m
- Lease liabilities, Net debt	+£46.4m

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

2. Accounting policies (continued)

Group Income Statement for the half year ended 27 March 2020

- Depreciation	+£6.0m
- Finance costs	+£0.5m
- Operating lease charge	-£6.3m

Group Statement of Cash Flows for the half year ended 27 March 2020

- Net cash flow from operating activities	+£4.9m
- Net cash flow from financing activities	-£4.9m

A reconciliation of the operating lease commitment previously reported under IAS 17 to the discounted lease creditor as at 28 September 2019 under IFRS 16 is as follows:

	£m
Operating lease commitment reconciliation	
Operating lease commitments disclosed as at 27 September 2019	48.6
Adjustments for extensions and termination options	1.8
Low value and short-term leases for which the on-balance sheet model was not applied	(1.2)
Discounting using the Group's incremental borrowing rate as at 28 September 2019	(2.8)
Lease liability recognised at 28 September 2019	46.4
<i>comprising:</i>	
Current liabilities	12.2
Non-current liabilities	34.2
	46.4

Set out below is the new accounting policy of the Group upon adoption of IFRS 16 *Leases*:

The Group leases various properties, motor vehicles and equipment. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A right-of-use asset and lease liability are recognised at commencement for contracts containing a lease, with the exception of leases with a term of 12 months or less or leases where the underlying asset is of low value, such leases continue to be expensed through the Income Statement as incurred.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the incremental borrowing rate. Lease payments include fixed payments, variable payments that depend on an index or a rate are included in the initial measurement of the lease liability payments for an optional renewal period and termination option payments. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. The Group has applied judgement to determine the lease term for some lease contracts that includes renewal options and break clauses.

Following initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future minimum lease payments or when the Group changes its assessment of whether it is reasonably certain to exercise an option within a contract.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the asset less any lease incentives received. After lease commencement, the Group measures right-of-use assets using a cost model, reflecting cost less accumulated depreciation and impairment. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of lease term.

IFRIC 23 *Uncertainty over Income Tax Treatments*

This IFRIC clarifies the accounting treatment for uncertainties in income taxes and is applied in the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*.

The Group recognises provisions for uncertain tax positions as current or deferred tax liabilities and does not separately provide for uncertain tax positions. The Group reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate using the methodology that better predicts the outcome of the uncertainty in the event of a tax authority audit (being an expected value or most likely approach, considered for each uncertainty) on the assumption that tax authorities examine amounts they have the right to examine. Following review of its tax provisions and its tax losses the Group has determined that the adoption of this IFRIC has had an immaterial impact on the Condensed Group Financial Statements.

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

3. Segment Information

Convenience Foods UK & Ireland is the Group's operating segment, which represents its reporting segment. This reflects the Group's organisational structure and the nature of the financial information reported to and assessed by the Chief Operating Decision Maker ('CODM') as defined by IFRS 8 *Operating Segments*. The CODM has been identified as the Group's Chief Executive Officer. The segment incorporates many UK convenience food categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles and frozen Yorkshire Puddings as well as the Irish ingredients trading businesses.

	Convenience Foods UK & Ireland	
	Half year 2020	Half year 2019
	£m	£m
Revenue	712.7	701.4
Group operating profit before exceptional items and amortisation of acquisition related intangible assets	38.3	44.7
Amortisation of acquisition related intangible assets	(2.7)	(0.4)
Exceptional items	–	(3.0)
Group operating profit	35.6	41.3
Finance income	0.1	0.7
Finance costs	(8.8)	(36.9)
Share of profit of associates after tax	0.4	0.6
Taxation	(3.1)	(4.9)
Result from discontinued operations	–	65.6
Profit for the period	24.2	66.4

The following table disaggregates revenue by product categories in the Convenience Foods UK and Ireland reporting segment.

	Half year	Half year
	2020	2019
	£m	£m
Revenue		
Food to go categories	455.8	447.1
Other convenience categories	256.9	254.3
Total revenue for Convenience Foods UK & Ireland	712.7	701.4

Food to go categories include sandwiches, salads, sushi and chilled snacking while the other convenience categories include chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings as well as Irish ingredients trading businesses.

4. Seasonality

The Group's convenience foods portfolio has historically been second half weighted. This historical weighting has been primarily driven by weather and seasonal buying patterns impacting, in particular, the demand for chilled product categories. This year, due to the impact of the COVID-19 pandemic, the normal seasonality of the business will be significantly affected given the COVID-19 impact on the Group will be greater in the second half of the financial year. The level of impact will depend on the duration of the current COVID-19 lockdown and the different shapes of recovery, as the Government's social restriction measures are eased.

5. Exceptional Items

		Half Year	Half Year
		2020	2019
		£m	£m
Impact of COVID-19 pandemic	(a)	(1.7)	–
Legacy US legal matters	(b)	2.2	–
Integration costs	(c)	(0.5)	–
Profit on disposal of Greencore's US business	(d)	–	56.7
Debt restructuring post disposal of Greencore's US business	(e)	–	(25.4)
Guaranteed Minimum Pension ("GMP") equalisation	(f)	–	(3.0)
		–	28.3
Tax credit on exceptional items		0.4	0.5
Total exceptional items		0.4	28.8

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NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

5. Exceptional Items (continued)

2020 HALF YEAR

(a) Impact of COVID-19 pandemic

In the current period, the Group incurred £1.7m of costs relating to the COVID-19 pandemic. The costs consist of inventory and other asset write offs associated with product range rationalisation, increase in the provision for bad debts for certain customers and other costs of COVID-19 including the cost of implementing measures to protect our people at our manufacturing facilities.

(b) Legacy US legal matters

In the current period, the Group recognised a credit of £2.2m on the settlement of a legacy US legal case, as an amount was recovered under a Group insurance policy.

(c) Integration costs

In the current period, the Group recognised a charge of £0.5m, comprising integration costs in relation to the acquisition of Freshtime UK Limited in 2019. Details of the acquisition are set out in note 15.

2019 HALF YEAR

(d) Profit on disposal of Greencore's US Business

In the prior period, the Group completed the disposal of Greencore's US business to Hearthsides Food Solutions LLC in November 2018. A profit of £56.7m was recognised which included transaction and separation costs of £17.9m. This was presented as discontinued in the Group's Income Statement.

(e) Debt restructuring post disposal of Greencore's US business

In the prior period, following the disposal of Greencore's US business, the Group reshaped its debt and associated derivative portfolio to reflect the removal of US dollar assets from the business. This resulted in a £25.4m exceptional charge in the period comprising the recycling of the net investment hedge of £22.3m, the recycling of ineffective interest rate swaps of £1.0m and the write off of capitalised finance fees on associated debt facilities of £2.1m.

(f) GMP equalisation

Due to a ruling in the High Court of Justice of England and Wales in October 2018, pension schemes are under a duty to equalise benefits for all members, regardless of gender, in relation to minimum pension benefits. For the Group, an estimate was made of the impact of equalisation, which increased the legacy defined benefit pension scheme liabilities in the UK by £3.0m with a corresponding charge to exceptional items. Whilst guidance has been issued by the Department of Work and Pensions, legislative provisions regarding the change are still being finalised. Therefore in the continued absence of guidance, the Group has maintained the estimate of £3.0m as at 27 March 2020.

Cash Flow on Exceptional Items

The total net cash outflow during the period in respect of exceptional items was £2.6m (H1 FY19: £7.7m), of which £2.1m was in respect of prior year exceptional charges. The remaining current year exceptional cash flow includes £0.2m related to COVID-19 costs and £0.3m of integration costs.

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6. Net finance costs

Net Finance income and finance costs

	Half year 2020 £m	Half year 2019 £m
Finance income		
Interest on bank deposits	0.1	0.7
Total finance income recognised in the Income Statement	0.1	0.7
Finance costs		
Net finance costs on interest bearing cash and cash equivalents, borrowings and other financing costs	(7.3)	(8.4)
Net pension financing charge	(1.0)	(1.3)
Change in fair value of derivatives and related debt adjustments	0.4	(0.6)
Foreign exchange on inter-company and external balances where hedge accounting is not applied	(0.4)	(1.2)
Interest on lease obligations	(0.5)	–
Total finance expense recognised in the Income Statement	(8.8)	(11.5)
Exceptional costs		
Debt restructuring post disposal of Greencore's US business (note 5)	–	(25.4)
Total exceptional finance expense recognised in the Income Statement	–	(25.4)
Total finance expense recognised in the Income Statement	(8.8)	(36.9)

7. Taxation

Interim period tax is accrued using the tax rate that is estimated to be applicable to expected total annual earnings in the financial year. The Group has taken the estimated impact of COVID-19 on the full year result into consideration in determining the effective tax rate for the half year ended 27 March 2020.

The tax rate is based on tax rates that were enacted or substantively enacted at the half year end, including the impact of the UK Corporation tax rate remaining at 19% which was substantially enacted in March 2020.

8. Dividends Paid and Proposed

A dividend of 3.75 pence per share was approved at the Annual General Meeting on 28 January 2020 as a final dividend in respect of the year ended 27 September 2019 and a total of £16.7m was paid on 25 February 2020 to all shareholders.

The Group announced on 30 March 2020 that it is not proceeding with an interim FY20 dividend payment as part of its measures to protect balance sheet strength and liquidity during the COVID-19 pandemic.

9. Earnings per Ordinary Share

Numerator for earnings per share calculations

	Half year 2020			Half year 2019		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Profit/(loss) attributable to equity holders of the Company	23.3	–	23.3	(0.5)	65.6	65.1

Denominator for earnings per share calculations

	Half year 2020 '000	Half year 2019 '000
Shares in issue at the beginning of the period	446,007	706,978
Effect of shares held by Employee Benefit Trust	(2,779)	(3,399)
Effect of shares issued in the period	76	4
Effect of share reduction due to tender offer	–	(82,729)
Weighted average number of Ordinary Shares in issue during the period	443,304	620,854
Dilutive effect of share schemes	1,752	637
Weighted average number of Ordinary Shares for diluted earnings per share	445,056	621,491

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NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

9. Earnings per Ordinary Share (continued)

Earnings per Share Calculations

	Half year 2020			Half year 2019		
	Continuing operations pence	Discontinued operations pence	Total pence	Continuing operations pence	Discontinued operations pence	Total pence
Basic earnings per Ordinary Share	5.3	–	5.3	(0.1)	10.6	10.5
Diluted earnings per Ordinary Share	5.2	–	5.2	(0.1)	10.6	10.5

10. Intangible Assets, Property, Plant and Equipment, Investment Property, Capital Expenditure and Commitments

During the six-month period to 27 March 2020, the operations of the Group made approximately £21.1m of additions to property, plant and equipment, investment property and intangible assets through ongoing capital expenditure. A total depreciation and amortisation charge of £22.2m was recognised, £0.2m of assets were disposed of and an FX gain of £0.1m was incurred.

At 27 March 2020, the Group had entered into contractual commitments for operations for the acquisition of property, plant and equipment amounting to £10.0m (H1 19: £8.9m).

During the prior six-month period to 29 March 2019, the Group made approximately £18.3m of additions to property, plant and equipment, investment property and intangible assets through ongoing capital expenditure. A total depreciation and amortisation charge of £18.2m was recognised and an FX loss of £0.2m was incurred.

11. Leases

The Group adopted IFRS 16 *Leases* with effect from 28 September 2019. At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease liability and a right-of-use leased asset on the Group's Statement of Financial Position.

The movement in the Group's right-of-use leased assets during the period is as follows:

	Land and buildings £m	Plant & machinery £m	Motor vehicles £m	Total £m
At 27 September 2019	–	–	–	–
IFRS 16 Transition adjustment (note 2)	24.3	5.2	11.7	41.2
Additions	15.6	1.0	5.3	21.9
Disposals	–	–	(0.1)	(0.1)
Depreciation charge for the period	(2.1)	(1.1)	(2.8)	(6.0)
Right-of-use leased assets at 27 March 2020	37.8	5.1	14.1	57.0

The movement in the Group's lease liabilities during the period is as follows:

	Total £m
At 27 September 2019	–
IFRS 16 Transition adjustment (note 2)	46.4
Additions	21.9
Disposals	(0.1)
Payments	(5.4)
Lease interest	0.5
Lease liabilities at 27 March 2020	63.3

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NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

11. Leases (continued)

An analysis of the maturity profile of the discounted lease liabilities arising from the Group's leasing activities as at 27 March 2020 is as follows:

	27 March 2020 £m
Within one year	14.3
Between one and five years	32.0
Over 5 years	17.0
Total	63.3
Analysed as:	
Current liabilities	14.3
Non-current liabilities	49.0
Total	63.3

The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. The following lease costs have been charged to the Income Statement as incurred:

	Half year March 2020 £m
Short-term leases	0.1
Leases of low value assets	0.5
Total	0.6

The total cash outflow for lease payments during the period was as follows:

	Half year March 2020 £m
Cash outflow for short-term leases and leases of low value	0.5
Lease payments relating to capitalised right-of-use leased assets	5.4
Total	5.9

12. Borrowings and Derivatives

	March 2020 £m	September 2019 £m	March 2019 £m
Bank borrowings	(230.7)	(213.9)	(189.0)
Private placement notes	(114.9)	(116.2)	(110.6)
Total borrowings	(345.6)	(330.1)	(299.6)

The maturity profile of the Group's borrowings is as follows:

	March 2020 £m	September 2019 £m	March 2019 £m
Between one and two years	(102.1)	–	–
Between two and five years	(212.1)	(298.4)	(254.0)
Over five years	(31.4)	(31.7)	(45.6)
	(345.6)	(330.1)	(299.6)

Bank Borrowings

In the period the Group extended the maturity of its £340m committed bank facility by one year to 2025 and secured an additional £75m committed debt facility which matures in March 2021. The Group's bank borrowings, net of finance fees comprised of £230.7m at 27 March 2020 (September 2019: £213.9m) with maturities ranging from January 2022 to January 2025, the earliest of which is the Group's £50m bank bilateral facility which matures in January 2022. The Group had £233m (September 2019: £175m) of undrawn committed bank facilities in respect of which all conditions precedent had been met. Uncommitted facilities undrawn at 27 March 2020 amounted to £6.5m (September 2019: £7.0m).

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12. Borrowings and Derivatives (continued)

Subsequent to the period end, the Group secured formal agreement with its lending syndicate of banks to waive its Net Debt: EBITDA covenant condition for the September 2020 and March 2021 test periods.

Private Placement Notes

The Group's outstanding Private Placement Notes net of finance fees comprised of £114.9m (denominated as \$120.9m and £18m) at 27 March 2020 (September 2019: £116.2m, denominated as \$120.9m and £18m). These were issued as fixed rate debt in October 2013 (\$65m) and June 2016 (\$74.5m and £18m) with maturities ranging between October 2021 and June 2026.

The Group has swapped the \$120.9m Private Placement Notes from fixed rate US Dollar to fixed rate sterling using cross-currency interest rate swaps. The fixed rate US dollar to fixed rate sterling swaps are designated as cash flow hedges under IAS 39 *Financial Instruments; Recognition and Measurement*.

The Group is in advanced stages of discussions with the Private Placement holders in respect of a waiver of the September 2020 and March 2021 leverage covenants contained in the Private Placement documentation and the Group expects that an agreement in respect of such waivers will be finalised and concluded in the coming weeks.

Derivatives Fair value hierarchy – IFRS 13 (level 2 inputs)*

	March 2020 Level 2* £m	September 2019 Level 2* £m	March 2019 Level 2* £m
Assets carried at fair value			
Cross-currency interest rate swaps – cash flow hedges	6.5	5.5	–
Interest rate swaps – not designated as hedges	–	–	0.1
	6.5	5.5	0.1
Liabilities carried at fair value			
Interest rate swaps – cash flow hedges	(2.8)	(2.9)	(2.6)
Cross currency interest rate swaps – cash flow hedges	–	–	(1.6)
Forward foreign exchange contracts – not designated as hedges	(0.2)	(0.7)	(0.2)
	(3.0)	(3.6)	(4.4)

* For definition of level 2 inputs please refer to the 2019 Annual Report.

13. Provisions

	Half year March 2020 £m	
At beginning of period		12.2
Utilised in period		(1.2)
Released in period		(2.2)
At end of period		8.8
	March 2020 £m	September 2019 £m
Analysed as:		
Current liabilities	3.7	5.5
Non-current liabilities	5.1	6.7
	8.8	12.2

In the current period, the Group settled a legacy US legal case which was re-covered under the Group's insurance policy resulting in a provision release of £2.2m which was accounted for as an exceptional item (note 5).

14. Retirement Benefit Obligations

The Group operates three legacy defined benefit pension schemes in the Republic of Ireland (the Irish schemes) and two legacy defined benefit pension schemes and one legacy defined benefit commitment in the UK (the UK schemes). These are all closed to future accrual and there is an assumption applied in the valuation of the schemes that there will be no discretionary increases in pension payments. The scheme assets are held in separate Trustee administered funds. The Group continues to seek ways to reduce its liabilities through various restructuring initiatives in co-operation with the respective schemes.

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

14. Retirement Benefit Obligations (continued)

The Group's retirement benefit obligations moved from a net liability of £92.0m at 27 September 2019 to a net liability of £52.3m at 27 March 2020. This movement was primarily driven by an actuarial gain on liabilities arising from an increase in the discount rates used to value these liabilities. The move in the discount rate is driven by the corporate bond rate.

During the period, the Trustees of one of the smaller UK legacy defined benefit schemes, completed a buy-out of the scheme, transferring insurance policies to individual scheme members and removing the scheme liabilities from the Group's Statement of Financial Position.

A full valuation of the UK legacy defined benefit scheme is in progress with a valuation date of March 2020.

The principal actuarial assumptions are as follows:

	March 2020		September 2019	
	UK	Ireland	UK	Ireland
Rate of increase in pension payments *	2.50%	0.00%	2.95%	0.00%
Discount rate	2.35%	1.65%	1.80%	0.85%
Inflation rate	2.60%	1.00%	3.05%	1.50%

* The pension increase rate shown above applies to the majority of the liability base. However there are certain categories within the Group that have an entitlement to pension indexation and this is allowed for in the calculation.

The financial position of the schemes was as follows:

	March 2020			September 2019		
	UK Schemes £m	Irish Schemes £m	Total £m	UK Schemes £m	Irish Schemes £m	Total £m
Fair value of plan assets	205.4	254.8	460.2	251.3	273.4	524.7
Present value of scheme liabilities	(306.2)	(206.3)	(512.5)	(378.8)	(237.9)	(616.7)
(Deficit)/surplus in schemes	(100.8)	48.5	(52.3)	(127.5)	35.5	(92.0)
Deferred tax asset/(liability)	19.1	(6.0)	13.1	21.6	(4.4)	17.2
Net (liability)/asset at end of the period	(81.7)	42.5	(39.2)	(105.9)	31.1	(74.8)
Presented as:						
Retirement benefit asset**			49.3			36.4
Retirement benefit obligation			(101.6)			(128.4)

** The value of a net pension benefit asset is the value of any amount the Group reasonably expects to recover by way of a refund of a surplus from the remaining assets of a plan at the end of the plan's life.

Sensitivity of pension liability to judgemental assumptions

Assumption	Change in assumption	Increase in Scheme Liabilities		
		UK Schemes	Irish Schemes	Total
Discount rate	Decrease by 0.5%	27.7	12.8	40.5
Rate of inflation	Increase by 0.5%	20.0	4.2	24.2
Rate of mortality	Members assumed to live 1 year longer	9.5	8.2	17.7

Sensitivity of pension scheme assets to yield movements

Assumption	Change in assumption	Increase in Scheme Assets		
		UK Schemes	Irish Schemes	Total
Change in bond yields	Decrease by 0.5%	13.3	23.0	36.3

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15. Acquisition and disposal of undertakings

Freshtime UK Limited

On 3 September 2019, the Group acquired 100% of Freshtime UK Limited ('Freshtime') for £56.2m. Freshtime was a well-established supplier of meal salads, chilled snacking and prepared produce in the UK, operating from a single facility in Boston, Lincolnshire. The fair value of the assets acquired, determined in accordance with IFRS have now been finalised and are presented in the table below. In particular, provisional values relating to property, plant and equipment have been revised to reflect an external property valuation resulting in a £1.2m reduction to the net assets as reported on 27 September 2019. Deferred tax on fair value adjustments has also been finalised.

	September 2019 £m
Assets	
Intangible assets	17.5
Property, plant and equipment	4.1
Inventory	1.2
Current tax receivable	0.5
Trade and other receivables	11.7
Total assets	35.0
Liabilities	
Provisions	(0.1)
Deferred tax liabilities	(3.0)
Trade and other payables	(14.2)
Current tax payable	(1.3)
Total liabilities	(18.6)
Net assets acquired	16.4
Goodwill	39.8
Total enterprise value	56.2

Greencore's US Business

In the prior year, the Group completed, on 25 November 2018, the disposal of its US business to Hearthside Food Solutions LLC. In the period ended 29 March 2019, a profit of £56.7m was recognised with a net cash inflow arising on the disposal of £810.4m.

Hull

In the prior year, the Group received £1m of deferred cash consideration from the disposal of its Cakes and Desserts business at Hull ("Hull") to Bright Blue Foods Limited in February 2018.

16. Contingencies

The Company and certain subsidiaries have given guarantees in respect of borrowings and other obligations arising in the ordinary course of 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.

The Group has provided bank guarantees to third parties for an amount of £8.2m to the Group's insurance providers (Sept 2019: £7.7m).

The Group and certain of its subsidiaries continue to be subject to various legal proceedings relating to its current and former activities. 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.

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17. Subsequent events

Since 27 March 2020, the COVID-19 pandemic has had an unprecedented impact on the shape of UK food demand and on Group revenue. The Group has taken prudent measures to protect profitability and cashflow including temporarily ceasing production at some of its facilities and furloughing a substantial proportion of colleagues, using the Government's Coronavirus Job Retention Scheme.

As set out in Note 12, subsequent to the period end, the Group secured formal agreement with its lending syndicate of banks to waive Net Debt: EBITDA covenant condition for September 2020 and March 2021. The Group is also in advanced stages of discussions with the Private Placement holders in respect of a waiver of the September 2020 and March 2021 leverage covenants contained in the Private Placement documentation and the Group expects that an agreement in respect of such waivers will be finalised and concluded in the coming weeks.

The Group also confirms that it has received eligibility, in principle, to access funding under the Covid Corporate Financing Facility.

18. Information

Copies of the Interim Financial Report are available for download from the Group's website at www.greencore.com.

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APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

The Group uses the following Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole: Pro Forma 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, Free Cash Flow, Free Cash Flow Conversion, Net Debt, Net Debt excluding lease liabilities and Return on Invested Capital ('ROIC'). Free Cashflow Conversion is measured and reported on an annual basis at year end.

On 28 September 2019 the Group adopted IFRS 16 *Leases*, the new accounting standard for leases. The Group transitioned to the standard using the modified retrospective approach, which does not require the restatement of comparative periods. The changes introduced by the standard impacted profit for the financial year by replacing operating lease costs with a depreciation and interest charge. In the statement of financial position, net assets are impacted by an uplift in the right-of-use assets offset by the lease obligations and after adjusting for the tax effect of the transition. The impact on APMs on transition to IFRS 16 *Leases* is set out in the table below.

Performance Measures	
Adjusted EBITDA (£m)	+6.3
Adjusted Operating Profit (£m)	+0.3
Adjusted Profit Before Tax (£m)	-0.2
Adjusted EPS (pence)	Immaterial
Free Cash Flow (£m)	-
Net Debt (£m)	+63.3
ROIC (%)	-0.5

PRO FORMA REVENUE GROWTH

The Group uses Pro Forma Revenue Growth as a supplemental measure of its performance. The Group believes that Pro Forma Revenue Growth provides a more accurate guide to underlying revenue performance.

Pro Forma Revenue Growth adjusts reported revenue to reflect the ownership of Freshtime for the full period in FY19 and excludes the impact of revenue from the exit of longer life ready meals manufacturing at the Kiveton facility in H1 19. It also presents the numbers on a constant currency basis.

	Half year 2020 Convenience Foods UK & Ireland %
Reported revenue	1.6%
Impact of disposals and exits	1.0%
Impact of acquisitions	(2.6%)
Impact of currency	0.1%
Pro Forma Revenue Growth (%)	0.1%

The table below shows the Pro Forma Revenue split by food to go categories and other convenience categories. This is in line with the disclosure requirements in IFRS 15 *Revenue from Contracts with Customers* requiring revenue to be disaggregated.

	Half year 2020	
	Food to go categories %	Other convenience categories %
Reported revenue	1.9%	1.0%
Impact of disposals and exits	-	2.6%
Impact of acquisitions	(4.0%)	-
Impact of currency	-	0.4%
Pro Forma Revenue Growth (%)	(2.1%)	4.0%

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APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

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 and of the Group as a whole.

The Group calculates Adjusted Operating Profit as operating profit before amortisation of acquisition related intangibles and exceptional charges. Adjusted EBITDA is calculated as Adjusted Operating Profit plus depreciation and amortisation of intangible assets. Adjusted Operating Margin is calculated as Adjusted Operating Profit divided by reported revenue.

The following table sets forth a reconciliation from the Group's profit for the financial year to Adjusted Operating Profit, Adjusted EBITDA and Adjusted Operating Margin:

	Half year 2020			Half year 2019		
	Convenience	Discontinued Operations	Total	Convenience	Discontinued Operations	Total
	UK & Ireland			UK & Ireland		
	£m	£m	£m	£m	£m	£m
Profit for the financial year	24.2	–	24.2	0.8	65.6	66.4
Taxation ^(A)	3.1	–	3.1	4.9	–	4.9
Net finance costs ^(B)	8.7	–	8.7	10.8	0.2	11.0
Share of profit of associates after tax	(0.4)	–	(0.4)	(0.6)	–	(0.6)
Exceptional items	–	–	–	28.4	(56.7)	(28.3)
Amortisation of acquisition related intangibles	2.7	–	2.7	0.4	–	0.4
Adjusted Operating Profit	38.3	–	38.3	44.7	9.1	53.8
Depreciation and amortisation ^(C)	25.5	–	25.5	17.8	–	17.8
Adjusted EBITDA	63.8	–	63.8	62.5	9.1	71.6
Adjusted Operating Margin (%)	5.4%	–	5.4%	6.4%	5.3%	6.2%

(A) Includes tax credit on exceptional items of £0.4m (2019: £0.5m)

(B) Finance costs less finance income

(C) Excludes amortisation of acquisition related intangibles. The current period includes depreciation of right-of-use lease assets

ADJUSTED PROFIT BEFORE TAX ('PBT') FOR CONTINUING OPERATIONS

Adjusted PBT is used as a measure by the Group to measure overall performance before associated tax charge and exceptional items.

The Group calculates Adjusted PBT as profit before taxation, excluding tax on share of profit of associates and before exceptional items, pension finance items, amortisation of acquisition related intangibles, FX on inter-company and certain external balances and the movement on the fair value of all derivative financial instruments and related debt adjustments.

The following table sets out the calculation of Adjusted PBT:

	Half year 2020	Half year 2019
	£m	£m
Profit before taxation for continuing operations	27.3	5.7
Taxation on share of profit of associates	0.1	0.1
Exceptional items	–	28.4
Pension finance items	1.0	1.3
Amortisation of acquisition related intangibles	2.7	0.4
FX and fair value movements ^(A)	–	1.8
Adjusted Profit Before Tax for continuing operations	31.1	37.7

(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

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APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

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 and the Performance Share Plan. Adjusted EPS described as an APM here is Adjusted Basic EPS.

The following table sets forth a reconciliation of the Group's Profit attributable to equity holders of the Company to its Adjusted Earnings for the financial years indicated.

	Half year 2020 £m	Half year 2019 £m
Profit attributable to equity holders of the Company	23.3	65.1
Exceptional items (net of tax)	(0.4)	(28.8)
FX effect on inter-company and external balances where hedge accounting is not applied	0.4	1.2
Movement in fair value of derivative financial instruments and related debt adjustments	(0.4)	0.6
Amortisation of acquisition related intangible assets (net of tax)	2.2	0.3
Pension financing (net of tax)	0.8	1.1
Adjusted Earnings	25.9	39.5

	Half year 2020 '000	Half year 2019 '000
Weighted average number of ordinary shares in issue during the year	443,304	620,854

	Pence	Pence
Adjusted Earnings Per Share	5.8	6.4

CAPITAL EXPENDITURE

MAINTENANCE CAPITAL EXPENDITURE

The Group defines Maintenance Capital Expenditure as the expenditure required for the purpose of sustaining the operating capacity and asset base of the Group, and to comply 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.

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APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

CAPITAL EXPENDITURE (continued)

The following table sets forth the breakdown of the Group's purchase of property, plant and equipment and purchase of intangible assets between Strategic Capital Expenditure and Maintenance Capital Expenditure:

	Half year 2020			Half year 2019		
	Convenience Foods UK & Ireland	Discontinued Operations	Total	Convenience Foods UK & Ireland	Discontinued Operations	Total
	£m	£m	£m	£m	£m	£m
Purchase of property, plant and equipment	19.3	–	19.3	17.1	1.2	18.3
Purchase of intangible assets	1.8	–	1.8	0.6	–	0.6
Net cash outflow from capital expenditure	21.1	–	21.1	17.7	1.2	18.9
Strategic Capital Expenditure	9.9	–	9.9	4.9	1.2	6.1
Maintenance Capital Expenditure	11.2	–	11.2	12.8	–	12.8
Net cash outflow from capital expenditure	21.1	–	21.1	17.7	1.2	18.9

FREE CASH FLOW

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

The Group calculates the Free Cash Flow as the net cash inflow/outflow from operating and investing activities before Strategic Capital Expenditure, acquisition and disposal of undertakings and adjusting for lease payments and dividends paid to non-controlling interests.

The following table sets forth a reconciliation from the Group's net cash inflow from operating activities and net cash outflow from investing activities to Free Cash Flow:

	Half year 2020			Half year 2019		
	Convenience Foods UK & Ireland	Discontinued Operations	Total	Convenience Foods UK & Ireland	Discontinued Operations	Total
	£m	£m	£m	£m	£m	£m
Net cash inflow/(outflow) from operating activities	20.8	–	20.8	7.3	(12.2)	(4.9)
Net cash (outflow)/Inflow from investing activities	(20.8)	–	(20.8)	794.2	(1.2)	793.0
Net cash inflow/(outflow) from operating and investing activities	–	–	–	801.5	(13.4)	788.1
Strategic Capital Expenditure	9.9	–	9.9	4.9	1.2	6.1
Disposal of undertakings	–	–	–	(811.4)	–	(811.4)
Repayment of lease liabilities	(4.9)	–	(4.9)	–	–	–
Dividends paid to non-controlling interests	(2.4)	–	(2.4)	(2.2)	–	(2.2)
Free Cash Flow	2.6	–	2.6	(7.2)	(12.2)	(19.4)

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

NET DEBT AND NET DEBT EXCLUDING LEASE LIABILITIES

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.

Net Debt excluding Lease Liabilities is a measure used by the Group to measure Net Debt excluding the impact of IFRS 16 *Leases*. Net Debt excluding Lease Liabilities is used for the purpose of calculating leverage under the Groups financing agreements.

The following table sets out the calculation of Net Debt excluding lease liabilities and Net Debt:

	Half year 2020 £m	Half year 2019 £m
Cash and cash equivalents	34.5	15.5
Bank borrowings	(230.7)	(189.0)
Private Placement Notes	(114.9)	(110.6)
Net debt excluding lease liabilities	(311.1)	(284.1)
Lease Liabilities	(63.3)	–
Net Debt	(374.4)	(284.1)

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 the tangible and intangible assets the Group has added through its capital investment programme, the intangible assets the Group has added through acquisition, as well as the working capital requirements of the business. Invested Capital is calculated as net assets (total assets less total liabilities) excluding Net Debt and the carrying 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 Group calculates ROIC as Net Adjusted Operating Profit After Tax ('NOPAT') divided by average Invested Capital for continuing operations. NOPAT is calculated as Adjusted Operating Profit plus share of profit of associates before tax, less tax at the effective rate in the Income Statement.

The following table sets forth the calculation of Net Operating Profit After Tax ('NOPAT') and invested capital used in the calculation of ROIC for the financial years.

	12 months to March 2020 £m	12 months to March 2019 £m
Adjusted Operating Profit	99.1	105.0
Share of profit of associates before tax	0.9	1.2
Taxation at the effective tax rate ^(A)	(14.2)	(14.6)
Group NOPAT	85.8	91.6

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APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

RETURN ON INVESTED CAPITAL ('ROIC') (continued)

	Half year 2020 £m	Half year 2019 £m
Invested Capital		
Total assets	1,220.9	1,052.7
Total liabilities	(879.4)	(780.9)
Net Debt	374.4	284.1
Derivatives not designated as fair value hedges	(3.5)	4.3
Retirement benefit obligation (net of deferred tax asset)	39.2	79.9
Invested Capital for the Group ^(B)	751.6	640.1
Average Invested Capital for ROIC calculation for the Group	695.9	628.2
ROIC (%) for the Group	12.3%	14.6%

(A) The effective tax rates for the financial period ended 27 March 2020 and 27 September 2019, were 13% and 15% respectively

(B) The invested capital for the Group in March 2018 was £1,306.1m less £689.8m for net assets of the disposal group held for sale

INTERIM FINANCIAL REPORT

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APPENDIX: PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are reported annually within the Annual Report and Financial Statements and are summarised below. Consideration of Brexit risks has been incorporated into the Group's principal risks as appropriate.

In light of the COVID-19 pandemic the Group has considered the impact of this on its business and reassessed its risk factors accordingly. COVID-19 will have an unpredictable impact on all businesses. Greencore management performed a detailed assessment of the risks faced specifically in relation to COVID-19, and defined strategies for mitigating these risks and the specific actions for achieving these are already underway.

The Group's response is detailed in the Operating Review. COVID-19 impacts almost all principal risks below with a summary by risk area.

Strategic

Competitor activity: The Group operates in highly competitive markets. Significant product innovations, technical advances and/or the intensification of price competition by competitors, both direct manufacturing competitors or competitors of our customers, could adversely affect the Group's results.

Growth and change: The Group is pursuing a strategy of growth and expansion in the UK. Delivery of our stated strategy will necessitate organisational change and investment, major capital investments and exploiting corporate development opportunities. Major capital investments and corporate development opportunities are often high cost and may involve significant change including the addition of a material number of new employees.

COVID-19 impact: The crisis is having an unprecedented impact on the Group's activities and the industry it operates in, which may impact its medium-term strategy. It is working with its customers to anticipate a 'new normal' and how it can position itself for the change. However, this 'new normal' is uncertain. The Group is also monitoring strategic opportunities as and when they are practicable to execute.

Commercial

Changes in consumer behaviour and demand: In common with other food industry manufacturers, unforeseen changes in food consumption patterns or in weather patterns may impact the Group. In addition, demand for a number of the Group's products can be adversely affected by fluctuations in the economy.

Key customer relationships and grocery industry structure: The Group benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, tightening of commercial terms, or brand or reputational damage associated with such supply could result in a material impact on the Group's results. The Group is also exposed to poor performance and execution by the customers in the categories it supplies. Changes to the grocery industry structure may also adversely affect performance.

Raw material and input cost inflation: The Group's cost base and margin can be affected by fluctuating raw material and energy prices and changes in cost and price profile. The Group also relies on a concentrated number of key suppliers for certain materials. A loss or interruption of supply from a key supplier could cause short term disruption to the operational ability of the Group and adversely affect its results.

COVID-19 impact: The crisis has immediately changed the demand patterns for the Group's products. It has also put pressure on its supply chains. The Group has simplified its product ranges with its customers and is working with customers to maintain the integrity of the supply chain and plans for activation once social restriction measures are eased. There is a risk that it may take some time for the Group to recover to pre-crisis levels.

Operational

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

Product contamination: The Group produces a large volume of food annually and there are risks of product contamination through either accidental or deliberate means. This may lead to products being withdrawn or recalled, or causing harm to customers. As well as being a significant draw on resources, product contamination could result in a financial, reputational and/or legal impact on the Group.

INTERIM FINANCIAL REPORT

For the half year ended 27 March 2020

APPENDIX: PRINCIPAL RISKS AND UNCERTAINTIES

Disruption to day-to-day group operations: The Group is at risk of disruption to its day-to-day operations from the breakdown of key manufacturing equipment or the loss of part or all of a significant facility.

IT systems and cyber risk: The Group relies heavily on information technology and requires continuous investment in systems to support our business. In common with most large companies, the Group is susceptible to cyber security attacks with the threat to the confidentiality, integrity and availability of such systems. Losses caused by accidental or malicious actions, including those resulting from a cyber security attack, could have a significant impact on the Group.

COVID-19 impact: The crisis has had a profound effect on the Group's operations. To respond to the changing demand patterns, the Group has had to make significant changes to its production network. The Group has also had to develop plans for extended social distancing which will impact the efficiency and effectiveness of its operations. The Group's system and cyber risk has also increased, given intensifying global cyber activity during the crisis as well as the increased pressure on the Group's systems to support the changed working environment.

People

Health and safety: In addition to the obvious human cost, a serious workplace injury or fatality could inevitably carry serious financial, reputational and/or legal risk.

Labour availability and cost: Due to political and economic uncertainty and change, there is a risk that labour cost and availability may be affected and this could have a detrimental impact on the Group.

Ethical Compliance: The Group has identified ethical compliance as a standalone principal risk. Greencore is a large employer and also sources ingredients from supply chains which in certain cases can be complex. Any failure to comply with ethical standards for our workforce may have a financial, reputational and/or legal impact for the Group. Failure to ensure that products are sourced responsibly and sustainably across supply chains may result in breaches of laws or regulations and may have a financial, reputational and/or legal impact for the Group.

Recruitment and retention of key personnel: The ongoing success of the Group is dependent on attracting and retaining high quality senior management who can effectively implement the Group's strategy.

COVID-19 impact: The crisis has impacted people first and foremost. Firstly, it has put more pressure on the Group's overall Health and Safety agenda and the Group has had to implement numerous measures to keep its people safe. The Group has accessed the UK Government's Coronavirus Job Retention Scheme to enable labour flexibility during this uncertain period. There is a risk this scheme is not extended.

Financial

Interest rates, foreign exchange rates, liquidity and credit: There are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. In addition, the Group's credit rating and overall credit profile impacts its ability to obtain funding for future development and expansion.

Employee retirement obligations: The Group's defined benefit pension schemes are exposed to the risk of changes in interest rates and the market values of investments, as well as inflation and the increasing longevity of scheme members. Volatility in worldwide equity and bond markets can impact the risk of employee retirement obligations.

COVID-19 impact: The crisis is affecting the capital markets overall which may impact various elements of our financial instruments and legacy defined benefit pension schemes.