FULL YEAR RESULTS STATEMENT
For the year ended 24 September 2021

30 November 2021

Return to revenue and profit growth – emerging strongly from a challenging period

Greencore Group plc ('Greencore' or the 'Group'), a leading manufacturer of convenience food in the UK, today issues its results for the year ended 24 September 2021.

PERFORMANCE [1]

- Group Revenue up 4.8% to £1,324.8m, driven by a return to growth in food to go categories and solid growth in other convenience categories
- Adjusted Operating Profit up 20.0% to £39.0m, with Adjusted Operating Margin of 5.2% in the second half of the year
- Adjusted EPS of 3.7p
- Strong free cash flow of £72.2m, driven by improved profitability and working capital inflows as volumes rebounded
- Significant reduction in net Debt (excluding lease liabilities) to £183.1m, with Net Debt: EBITDA of 2.0x as measured under financing agreements
- Cash and undrawn committed bank facilities of £433.6m at year end, and now exited from temporary covenant waiver period as planned

STRATEGIC DEVELOPMENTS [1]

- Executed strongly against new business wins, contributing over a third of the 38% pro forma revenue growth in food to go categories in Q4 21 and supporting continued diversification of the Group's product and channel footprint
- Renewed and extended several commercial relationships, in line with the long term strategic partnership approach with customers to support their food to go offerings and to secure growth for the Group in key categories and open up new growth opportunities in new categories and formats
- Progressing well with the previously announced two year capital investment of approximately £30m, supporting delivery of new business wins across three manufacturing sites
- Advanced on multiple sustainability goals including the launch of fully recyclable, plastic free sandwich skillet trials for customers in September 2021, and the establishment of emission reduction targets, verified by the Science Based Targets Initiative
- Outlined new sustainability commitments for FY22 to transparently share data on the health and sustainability profile of our products with stakeholders, and to ensure all the Group's food surplus goes to feed those in need, and also to reduce by 2030 the average meat content across the Group's product portfolio by 30%, in line with the recommendations of the National Food Strategy

OUTLOOK [1,2]

- Trading in early FY22 has been encouraging with continued positive revenue momentum across the business. As mobility increases towards pre-pandemic levels, there is strong demand in food to go and other convenience categories
- The Group is committed to recovering against ongoing input cost and other inflation with customers and is progressing well in this regard. The pace of profit conversion continues to be impacted by supply chain and labour challenges that are affecting the industry overall
- Though these challenges remain ongoing, the Group expects to generate an FY22 outturn in line with current market expectations. This assumes no material resumption of mobility restrictions or lockdowns arising from increases in COVID-19 infection rates in the UK. Profitability will be weighted towards the second half of the year, reflecting the seasonality of the Group's food to go categories
- The Board is committed to a dynamic capital management policy. While the Group remains focused on deleveraging, it will also balance the ongoing strategic and investment needs of the business and the capacity to return surplus cash to shareholders. The Board is currently assessing the specific capital allocation strategy and is committed to recommencing value return to shareholders in FY22.

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SUMMARY FINANCIAL PERFORMANCE [1]

	FY21 £m	FY20 £m	Change
Group Revenue	1,324.8	1,264.7	+4.8%
Pro Forma Revenue Growth			+6.2%
Adjusted EBITDA	92.3	85.0	+8.6%
Group Operating Profit	42.8	12.9	+231.8%
Adjusted Operating Profit	39.0	32.5	+20.0%
Adjusted Operating Margin	2.9%	2.6%	+30bps
Group Profit/(Loss) Before Tax	27.8	(10.8)	
Adjusted Profit Before Tax	22.6	17.3	+30.6%
Basic EPS (pence)	5.0	(2.6)	
Group Exceptional Items (after tax)	12.1	(20.5)	
Adjusted EPS (pence)	3.7	2.9	+27.6%
Total proposed dividend per share (pence)	-	-	
Free Cash Flow	72.2	(29.7)	+£101.9m
Net Debt	242.7	411.2	
Net Debt (excluding lease liabilities)	183.1	350.5	
Net Debt:EBITDA as per financing agreements	2.0x	4.4x	
Return on Invested Capital ("ROIC")	4.5%	4.1%	

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

"Greencore has weathered the storm and emerged strongly from a difficult period. Following a challenging first half in FY21, we made good progress in rebuilding revenues, cashflows and profitability in H2 and are confident of maintaining this positive trajectory in the year ahead, particularly in the seasonally important second half.

The strong recovery of the UK food to go market, as well as solid performance in other convenience food categories, underpins this confidence. New business wins achieved last year are contributing to our momentum, and we anticipate delivery of profits for the year ahead in line with current market expectations.

With strong free cashflow and a significant reduction in leverage achieved in FY21, the Group enters the new financial year on a robust financial footing. Greencore has a strong position in the dynamic UK convenience food market and, with demand remaining strong in the early stages of FY22, has confidence in its medium-term prospects."

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[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 Full Year Results Statement.

[2] Consensus market expectations as compiled by Greencore from available analyst estimates on 19 November 2021 and as reported in the Investor Relations section of the Group website.

Basis of preparation

The financial information included within this Results Statement is based on the audited consolidated financial statements of Greencore Group plc. Details of the basis of preparation can be found in Note 1 to the attached financial information.

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 based on information currently available to the Group. These forward-looking statements include all statements that are not historical facts and may generally, but not always, be identified by the use of words such as 'will', 'aims', achieves', 'anticipates', 'continue', 'could', 'develop', 'should', 'expects', 'is expected to', 'may', maintain', 'grow', 'estimates', 'ensure', 'believes', 'intends', 'projects', 'sustain', 'targets', or the negative thereof, or similar future or conditional 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. There may be risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. 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.

CONFERENCE CALL

A presentation of the results for analysts and institutional investors will take place at 8.30am on 30 November 2021 at etc. venues, 8 Fenchurch Place, London EC3M 4PB. The presentation slides will be available on the Investor Relations section on www.greencore.com from 7.00am on 30 November 2021.

This presentation can also be accessed live from the Investor Relations section on www.greencore.com or alternatively via conference call. Registration and dial in details are available at www. greencore.com/investor-relations/

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About Greencore

We are a leading manufacturer of convenience food in the UK and our purpose is to make every day taste better. We supply all of the major supermarkets in the UK. We also supply convenience and travel retail outlets, discounters, coffee shops, foodservice and other retailers. We have 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.

In FY21 we manufactured 645m sandwiches and other food to go products, 117m chilled prepared meals, and 256m bottles of cooking sauces, pickles and condiments. We carry out more than 10,500 direct to store deliveries each day. We have 21 world-class manufacturing units across 16 locations in the UK, with industry-leading technology and supply chain capabilities. We generated revenues of £1.3bn in FY21 and employ approximately 13,000 people. We are headquartered in Dublin, Ireland.

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

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EMERGING STRONGLY FROM A CHALLENGING PERIOD [1]

In a challenging year when demand was significantly impacted by various COVID-19 related lockdowns and associated mobility restrictions, the Group performed with resilience and benefitted from a strong recovery in the second half. Throughout, the Group focused on three priorities – keeping our people safe, feeding the UK, and protecting our business. These priorities are aligned with the Group's purpose and its distinctive, repeatable 'Greencore Way' of working.

Greencore worked closely with customers to deliver strong operational service levels in FY21 and to meet increasing demand, notwithstanding the well documented supply chain and labour challenges that intensified as the year progressed and which continue to be faced.

Keeping our people safe

Greencore's people are at the core of its purpose and its success and keeping colleagues safe remained the key priority throughout the past year. The Group maintained a vigilant and highly responsive approach to health and safety protocols to ensure that all is being done within the business to mitigate the impact of COVID-19 and to keep colleagues safe.

Building on the extensive range of new measures implemented in FY20 to support colleague safety across the Group's network, the Group has carried out many additional actions taken through FY21. The Group conducted regular COVID-19 risk assessments and implemented site-specific action plans across every manufacturing location and distribution facility, implemented weekly lateral flow testing across the main manufacturing sites and Direct-to-Store depots, and developed a COVID-19 risk alert tool that uses a variety of data to dictate what levels of control are required for each site at any time.

Feeding the UK

The Group's mission to feed the UK throughout the pandemic is fully aligned with the Group's purpose and its commitment to producing Great Food. This involves close engagement with customers, to respond quickly to volatile demand patterns associated with the changing mobility restrictions and lockdowns that were introduced across the UK during the year. These strong customer relationships also enabled the Group to help drive category growth and range launches as the economy reopened, as well as to onboard new business successfully. The Group also continued to scale up the work we do in support of local communities, especially where food insecurity and hunger exists.

Protecting our business

In FY21 the Group implemented a comprehensive set of actions to alleviate the material negative short-term impact on the business caused by COVID-19, and to build back the business profitably as the pandemic began to ease. This was underpinned by the Group's purpose through the drive for excellence in all that it does, and the responsibility to improve continuously the sustainability of the business.

The combination of recovering demand and strict underlying cost control allowed the Group to improve revenue, profitability, and cash flow momentum progressively through FY21. In the first half of FY21 the Group also launched a set of debt and equity initiatives to strengthen the balance sheet, including amendments to its debt agreements and a well-supported equity placing in November 2020, raising net proceeds of £87.1m. These ensured the Group could protect its operations through COVID-19 induced volatility while also enable it to invest with customers to secure business and open up new opportunities in additional categories and formats. The Group continued to receive UK Government assistance under the Coronavirus Job Retention Scheme until July 2021.

Strong underlying cash generation in the second half of the year allowed the Group to deleverage further, ending the period with a leverage ratio now approaching FY19 levels. The Group had cash and undrawn committed bank facilities of £433.6m at 24 September 2021 (FY20: £232.0m)

SUSTAINABILITY

The Group's first standalone sustainability report in FY20 coincided with the launch of the corporate purpose 'Making every day taste better' and the Group's new sustainability strategy, the 'Better Future Plan'. In addition the National Food Strategy, published at the beginning of H2 21 and the first independent review of British food policy in 75 years, highlighted the urgent need for action in what is an increasingly unsustainable global food system.

The Group's sustainability strategy is built around three pillars and aspirations:

- Sourcing with Integrity: By 2030 we will source our priority ingredients from a sustainable and fair supply chain
- Making with Care: By 2040 we will operate with net zero emissions
- Feeding with Pride: By 2030 we will have increased our positive impact on society through our products

SUSTAINABILITY (continued)

Good progress was made on strategy in FY21, though COVID-19 continued to have a negative impact on manufacturing efficiencies and on some of the performance measures that the Group tracks. In September 2021 the Group launched fully recyclable, plastic free sandwich skillet trials for customers. The Group also set emission reduction targets, verified by the Science Based Targets Initiative, pledging to reduce absolute Scope 1 and Scope 2 emissions by 46.2% by 2030 from a 2019 base year. The Group also pledged to reduce Scope 3 emissions from purchased goods and services, and upstream transport and distribution, by 42% per tonne of product sold by 2030 from a 2019 base year. The Group continued to advance how it measures and acts to improve the health and environmental impacts of the product portfolio, including initiatives in product footprinting and eco-labelling, while the rollout of site-specific plans for engagement with local communities was completed.

Transparency and engagement around the Group's sustainability strategy was also enhanced. The Group now maps its activities against both Global Reporting Initiative (GRI) Standards and the Sustainable Accounting Standards (SASB) framework. Stakeholder engagement on sustainability has increased markedly since the launch of the Group's strategy in November 2020, including a detailed presentation at a seminar for the investment community in February 2021.

New commitments and action points have been established to advance the Group's progress. In FY22, the Group will transparently share data on the health and sustainability profile of its products with its stakeholders and will also ensure all the Group's food surplus goes to feed those in need. By 2030, the Group commits to reduce the average meat content across the Group's product portfolio by 30%, in line with the recommendations of the National Food Strategy.

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OPERATING REVIEW [1]

Convenience Foods UK & Ireland

	FY21 £m	FY20 £m	Change (As reported)	Change (Pro Forma basis)
Revenue	1,324.8	1,264.7	+4.8%	+6.2%
Group Operating Profit	42.8	12.9	+231.8%	
Adjusted Operating Profit	39.0	32.5	+20.0%	
Adjusted Operating Margin %	2.9%	2.6%	+30bps	

	Pro Forma Revenue Growth (versus FY20)				
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY21
Group	-15%	-22%	+53%	+27%	+6%
Food to go categories	-22%	-30%	+91%	+38%	+9%
Other convenience food categories	-2%	-9%	+11%	+8%	+2%

	Pro Forma Revenue Growth (versus FY19)				
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY21
Group	-14%	-23%	-3%	+1%	-9%
Food to go categories	-21%	-33%	-9%	-2%	-16%
Other convenience food categories	-1%	-3%	+13%	+10%	+4%

Strategic developments

The Group delivered well against its strategic objectives in what was a challenging period. Central to this delivery was the Group's close engagement with customers.

In the first half of the year, during periods of mobility restrictions, the Group worked with customers on effective range management. Subsequently, as mobility restrictions were lifted in the UK, the Group designed and implemented growth programmes with customers, with a focus on building back rapidly in affected categories, to reactivate product ranges and formats in spring and early summer. As the year progressed the Group managed through the operational service challenges arising from supply chain disruptions and tight labour availability, working effectively with customers to manage inflation and to align the network and product ranges to deliver optimally.

The Group secured new business wins representing annualised pre-COVID revenues of approximately £175m, across food to go and other convenience categories and customers. This supported the Group's diversification of its product and channel footprint. Many of these customers were onboarded during the second half of the year and the Group is encouraged by their performance to date. The Group has committed to investing approximately £30m over FY21 and FY22, across three existing Greencore manufacturing sites, to support the delivery of this new business.

In FY21, the Group also expanded its product offering and extended its category reach with existing customers, in the salads and fresh meals categories. Furthermore, several commercial relationships with key customers were renewed and extended in the period, some of which became effective in FY21 – with the remainder becoming effective from FY22 onwards. The Group has successfully operated a model of long-term strategic partnering with customers for several years. These multi-year, sole supply agreements typically involve near term investment in capabilities, capital, and terms that both secure and support growth in key categories and also open up growth opportunities with these customers in additional categories and formats.

The Group progressed its Excellence agenda through FY21, albeit with some restrictions on the deployment of certain initiatives in light of COVID-19 disruption. The Group commissioned and installed modular robotic solutions across 15 production lines in three locations. It also made good progress on the Group's Purchasing Excellence agenda, implementing new IT solutions to support analytics and reporting, including a shared portal for managing packaging data with customers and suppliers. The Group continues to engage with key suppliers in a structured way to simplify ingredient supply chains, whilst enabling innovation and maintaining rigorous quality standards.

Producing great tasting, quality food to the highest technical and food safety standards is a hallmark of the Greencore business. Throughout FY21, the Group launched over 1,300 new or reformulated products with our customers, within the Group's total Stock Keeping Unit (SKU) range of approximately 2,200 products. An example of these new initiatives was a first-to-market innovation transitioning all sandwich bread with one of the Group's largest customers to a new fibre-enriched loaf, with no compromise on either taste or shelf life. The Group was also responsive to changes in consumer behaviour through the COVID-19 disruption and developed a range of 'dine-at-home' meal boxes with a key customer to create a premium, restaurant quality meal experience.

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Performance

Reported Group revenue increased by 4.8% to £1,324.8m in FY21. On a pro forma basis, revenue increased by 6.2%, after adjusting for the disposal of the molasses businesses in Q1 21 and for movements in foreign exchange. Adjusted Operating Profit rose by 20.0% to £39.0m and Adjusted Operating Margin advanced by 30bps to 2.9%. Group Profit Before Tax was £27.8m in FY21, compared to a Loss Before Tax of £10.8m in FY20.

The UK trading environment remained volatile during FY21. There was a pronounced negative impact on demand in food to go categories in the first half of the year, arising from a reduction in mobility due to extensive lockdowns and tiered restrictions across the UK. The trading environment improved markedly from Q3 as the economy reopened and mobility restrictions were eased, supporting demand growth in food to go categories in particular. In addition to the underlying market recovery, the Group benefitted from its strong market position in the grocery retail channel, its customer and format mix, and its portfolio across food to go and other convenience categories. New business increasingly contributed to Group revenue performance as the year progressed.

As the economy reopened, supply-side challenges emerged across the UK food industry. This has been primarily driven by tight labour availability, with a marked impact on logistics and the supply of inbound materials. Greencore has not been immune to these impacts but delivered strong operational service levels in this context, supported by its own Direct-to-Store distribution network.

FY21 revenue in the Group's food to go categories (comprising sandwiches, salads, sushi and chilled snacking) totalled £842.1m and accounted for approximately 64% of reported revenue. Reported and pro forma revenues increased by 9.0% in these categories, driven by a recovery in underlying demand as the year progressed and by strong execution on new business wins. Revenue for the distribution of third party products accounted for approximately 8% of Group revenue in FY21 and benefitted from new customer wins in the period.

On a pro forma basis, revenue in food to go categories increased by approximately 59% in the second half of FY21, and was approximately 5% below the equivalent pre-COVID levels in H2 19. In September 2021, the final month of the Group's fiscal year, pro forma revenue in food to go categories increased by approximately 40% year on year and was only approximately 1% below the equivalent pre-COVID levels in H2 19.

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 an Irish ingredients trading business. Reported revenue across these businesses decreased by 1.9% to £482.7m in FY21. Adjusting for movements in foreign exchange and the disposal of the Irish molasses businesses in Q1 21, pro forma revenue increased by 1.6%. This was driven by strong growth in the Group's ready meals business through the second half of the year, while FY21 revenue in the cooking sauce business was broadly unchanged. Revenue in the Group's remaining Irish ingredients trading business increased in FY21, recovering from a slower start to the year.

Inflation trends in the Group's main UK cost components were broadly as anticipated. Raw material and packaging costs rose by approximately 1% in FY21. Direct labour inflation was approximately 5%. Both cost components have seen a marked increase in inflation since early Q4 21.

The Group incurred £5.3m of operating costs relating to COVID-19 (FY20:£10.8m). The Group also incurred non-recurring costs of £4.4m relating to an impairment charge on fixed assets, offset by a £4.8m non-recurring gain relating to an insurance claim credit. These costs were recognised within operating income.

Overall, Group Operating Profit increased from £12.9m to £42.8m. Adjusted Operating Profit increased from £32.5m to £39.0m. The increase in Adjusted Operating Profit was driven primarily by an improvement in profitability in the Group's food to go categories, as demand recovered in the second half of the year. Underlying profitability in the Group's other convenience categories was broadly unchanged in FY21.

In FY21 the Group received UK Government assistance of £8.7m (FY20: £21.3m) under the Coronavirus Job Retention Scheme.

Brexit

The Trade and Cooperation Agreement negotiated between the EU and the UK was applied provisionally from 1 January 2021 and entered into force from 1 May 2021. While the direct financial impact on the Group in FY21 was modest, the operational impact was more challenging due to the additional impact of COVID-19 on labour availability and the supply chain. The Group continues to work through these challenges effectively with its customers and suppliers.

Group Cash Flow and Returns

	FY21 £m	FY20 £m	Change (as reported)
Free Cash Flow	72.2	(29.7)	+£101.9m
Net Debt (excluding lease liabilities)	183.1	350.5	
Net Debt:EBITDA as per financing agreements	2.0x	4.4x	
ROIC	4.5%	4.1%	

Strategic developments

The Group implemented a comprehensive range of operational, debt and equity measures in FY21 that protected and supported the business, enabling it to exit the covenant waiver period as planned, securely. As the business moved back into profitable growth in the second half of the year, strong free cash generation allowed the Group to deleverage rapidly.

The Group applied a range of mitigating actions to manage cash outflows in FY21, particularly in the first half of the year. Alongside this, the Group secured support from its bank lending syndicate and its Private Placement Note Holders to a range of initiatives, including the waiving of certain covenant test conditions and the refinancing of various debt facilities. In November 2020 the Group completed an equity placing of 80,357,142 new ordinary shares at 112 pence per share, to raise net proceeds of £87.0m. The Group also completed the disposal of its interest in its molasses trading businesses in December 2020, and the disposal of an investment property in September 2021.

As a result of all these measures, in particular the successful completion of the equity placing, the Group has had sufficient financial flexibility to navigate through a volatile trading period while continuing to invest to support future growth in the business. At 24 September 2021 the Group had cash and undrawn committed bank facilities of £433.6m, comfortably above minimum liquidity requirements as stipulated in the conditions of the Group's covenant waivers.

The Group's initiatives continue to be informed by modelling a set of scenarios that reflect the Group's considered and conservative view on short and medium term trading, and ensuring the Group is efficiently and effectively funded through any of these scenarios.

Performance

Free Cash Flow was an inflow of £72.2m in FY21 compared to an outflow of £29.7m in FY20, the increase primarily reflecting improved profitability and the working capital inflows associated with the recovery in demand in the Group's food to go categories. The conversion rate of Adjusted EBITDA was 78.2% in FY21 (FY20: (34.9%)). Several other factors also supported the levels of net cash inflow during FY21, principally the equity placing completed in November 2020 and the disposal of the molasses businesses in December 2020.

The Group's Net Debt at 24 September 2021 was £242.7m, a reduction of £168.5m compared to the prior year period which includes the impact of IFRS 16 lease obligations of £59.6m (FY20:£60.7m). Net Debt excluding lease liabilities decreased to £183.1m from £350.5m at the end of FY20. The Group's Net Debt:EBITDA leverage as measured under financing agreements was 2.0x at year end. This compared to 7.2x at the end of March 2021 and 4.4x at the end of September 2020.

As at 24 September 2021, the Group had total committed debt facilities of £616.4m and a weighted average maturity of 2.7 years. Following the maturing of the Private Placement Notes in October 2021 and the extension of the maturity on the £340m revolving credit facility in November 2021, the Group has total committed debt facilities of £568.8m with a weighted average maturity of 3.4 years.

ROIC increased to 4.5% for the 12 months ended 24 September 2021, compared to 4.1% for the 12 months ended 25 September 2020. The increase was driven by increased profitability in the period, partly offset by a higher effective tax rate and a modest increase in the Group's average invested capital.

FINANCIAL REVIEW [1]

Revenue and Operating Profit

Reported revenue in the period was £1,324.8m, an increase of 4.8% compared to FY20, primarily reflecting the recovery in demand in food to go categories as mobility restrictions eased in the UK during the year. Pro Forma Revenue increased by 6.2%.

Group Operating Profit increased from £12.9m to £42.8m as a result of an improved revenue outturn in FY21 and the movement from a net exceptional charge to a net exceptional gain in FY21. Adjusted Operating Profit of £39.0m was 20.0% higher than in FY20, driven by an improvement in profits in food to go categories in FY21 and a broadly unchanged underlying performance in the Group's other convenience categories. Adjusted Operating Margin was 2.9%, 30 basis points higher than the prior year.

Net finance costs

The Group's net bank interest payable was £15.0m in FY21, an increase of £0.3m versus FY20. The increase was driven by the higher cost of debt. The Group also recognised a £1.3m interest charge relating to the interest payable on lease liabilities in the year (FY20: £1.2m).

The Group's non-cash finance charge, before exceptional items, in FY21 was £2.8m (FY20: £1.3m). The change in the fair value of derivatives and related debt adjustments in the period was a £1.0m charge (FY20: £1.1m credit) and the non-cash pension financing charge of £1.7m was £0.2m lower than the FY20 charge of £1.9m.

Profit before taxation

The Group's Profit before taxation increased from a loss of £10.8m in FY20 to a profit of £27.8m in FY21, driven by higher Group Operating Profit and lower finance costs as compared to the FY20 costs which included an exceptional finance charge. Adjusted Profit Before Tax in the period was £22.6m (FY20: £17.3m), primarily driven by an improvement in Adjusted Operating Profit.

Taxation

The Group's effective tax rate in FY21 (adjusting pre-exceptional profit for the change in fair value of derivatives) was 15% (FY20: 13%). In March 2021, the UK Government announced an increase in the UK rate of corporation tax from 19% to 25%, to be effective from 1 April 2023. This change results in a one-off credit to the income statement, with a corresponding increase in the Group's deferred tax asset. This credit is partially offset by a charge arising from the reassessment of recoverability of deferred tax assets previously recognised in respect of certain buildings owned by the Group.

Exceptional items

The Group had a pre-tax exceptional gain of £11.7m in FY21, and an after tax gain of £12.1m, comprised as follows:

Exceptional Items	**£m**
Profit on disposal of Molasses trading businesses	11.3
Legacy defined benefit pension schemes restructuring charge	(4.0)
Non-core property related income	3.3
Legacy business provisions	1.1
Exceptional items (before tax)	**11.7**
Tax on exceptional items	0.4
Exceptional items (after tax)	**12.1**

Earnings per share

The Group's basic earnings per share for FY21 was 5.0 pence compared to basic loss per share in FY20 of 2.6 pence. This was driven by a £36.9m increase in Earnings in FY21, partially offset by an increase in the weighted average number of shares in issue in FY21 to 511.8m (FY20: 443.9m).

Adjusted Earnings were £18.8m in the period, £5.8m ahead of prior year levels largely due to an increase in Adjusted Operating Profit. Adjusted earnings per share of 3.7 pence was 27.6% ahead of FY20 levels.

Cash Flow and Net Debt

Adjusted EBITDA was £7.3m higher in FY21 at £92.3m. The Group incurred a net working capital inflow of £33.2m. Maintenance capital expenditure of £16.2m was incurred in the period (FY20: £18.9m). The cash outflow in respect of exceptional charges was £3.3m (FY20: £10.1m), of which £2.9m related to prior year exceptional charges.

Cash Flow and Net Debt (continued)

Interest paid in the period was £18.8m (FY20: £14.3m), including interest of £1.3m on lease liabilities, an increase on FY20 primarily reflecting the impact of higher debt costs associated with higher leverage during the year. Cash tax fell by £4.4m to £0.2m reflecting a higher FY20 charge relating to a one-off change in rules for the timing of UK corporation tax payments impacting FY20. The cash tax rate for the Group is expected to rise towards the Group's effective rate in the medium term as a result of increased profitability and a reduction in the degree to which UK losses may be utilised in any one year. Cash repayments on lease liabilities increased to £14.3m (FY20: £11.2m). The Group's cash funding for defined benefit pension schemes was £7.0m (FY20: £9.4m), reflecting the agreement with Trustees to defer cash contributions in the first half of the year.

These movements resulted in Free Cash Flow of £72.2m compared to an outflow of £29.7m in FY20 driven primarily by higher profitability and the substantial unwinding of working capital outflows incurred in FY20.

In FY21, the Group incurred strategic capital expenditure of £24.0m (FY20: £13.0m).

The Group did not make any equity dividend cash payments in FY21 (FY20: £16.7m in respect of final dividend in FY19) and in November 2020 the Group completed an equity placing of 80,357,142 new ordinary shares at 112 pence per share, to raise net proceeds of £87.0m. In December 2020 the Group also completed the sale of its interests in its molasses trading businesses for a final cash consideration of £16.3m. In September 2021 the Group completed the sale of an investment property for cash consideration of £6.3m.

The Group's Net Debt at 24 September 2021 was £242.7m, a decrease of £168.5m compared to the prior year period, driven primarily by the free cash outflows as described previously and the cash proceeds from the equity placing in November 2020 and the sale of the Group's molasses businesses in December 2020.

Financing

As previously announced, the Group secured agreement with its bank lending syndicate in May 2020 and its Private Placement Note Holders in July 2020 to waive the Net Debt: EBITDA covenant condition for the September 2020 and March 2021 test periods.

In November 2020 the Group secured further support from its bank lending syndicate and its Private Placement Note holders. Of the key features, the Group:

- Extended the maturity of its £75m revolving credit bank facility by two years to March 2023;
- Refinanced the Group's £50m bilateral loan for a new three year term maturing in January 2024;
- Amended the EBITDA: Interest covenant condition for the March 2021 test period from 3.0x to 2.0x;
- Amended the Net Debt: EBITDA covenant test at June 2021 from 4.25x to 5.0x
- Reduced the minimum liquidity requirement on cash and undrawn facilities to £70m for FY21, from a range of £100m-£125m; and
- Increased the maximum net debt requirement to £550m to May 2021, and £500m to September 2021, from a range of £450m-£550m

In July 2021, the Group successfully completed a refinancing of its near-term debt with its lending syndicate that improves the maturity profile of the Group's debt and lowers annual interest costs. The Private Placement Notes of $65m, which matured in October 2021, were replaced by a new three-year term loan facility of £45m, maturing in June 2024.

In November 2021, the Group also extended the maturity on its £340m revolving credit facility by one year to January 2026.

The Group had total committed debt facilities of £616.4m at 24 September 2021 and a weighted average maturity of 2.7 years. Following the refinancing activities completed after year end, the Group has total committed debt facilities of £568.8m with a weighted average maturity of 3.4 years. These facilities comprise:

- A £340m revolving credit bank facility with a maturity date of January 2026
- A £75m revolving credit bank facility with a maturity date of March 2023
- A £50m bilateral bank facility with a maturity date of January 2024
- A £45m bank term loan facility with a maturity date of June 2024
- £18m and $55.9m of outstanding Private Placement notes with maturities ranging between June 2024 and June 2026

The Group had cash and undrawn committed facilities of £433.6m at 24 September 2021, compared to £232.0m as at 25 September 2020.

Pensions

All of the Group's 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 24 September 2021 was £46.0m, £36.1m lower than the position at 25 September 2020. The net pension deficit after related deferred tax was £29.3m (FY20: £63.8m). The decrease in net pension deficit was driven principally by an actuarial gain on assets and on liabilities arising from an increase in the discount rates used to value these assets and liabilities. The movement in the discount rate is driven by the corporate bond rate.

In H1 21 the Group entered a formal agreement with the Trustees of the legacy defined benefit pension scheme in the UK to defer cash contributions to the pension for a further period of six months which resulted in a reduction of cash contributions in FY21 of £5.1m. Since the beginning of the pandemic to the date of this announcement, the Group has deferred cash contributions totalling £10.0m.

The valuations and funding obligations of the Group's legacy defined benefit pension schemes are assessed on a triennial basis with the relevant Trustees. During H2 21 the Group concluded the latest assessment of the valuation and funding plan for its principal UK legacy defined benefit pension scheme. The Group expects the annual cash funding requirement for all schemes to be modestly below previously guided levels of £15m, inclusive of the cash contributions that were deferred over the course of the pandemic.

In FY21 the Group and Trustees of all three Irish defined benefit schemes agreed a restructuring of its Irish pension schemes which included the agreement to wind up the two smaller schemes and to transfer certain assets and liabilities from those schemes to the principal scheme. Details of the restructuring are detailed in Note 9 to the Full Year Results Statement.

Dividends

The Group did not pay dividends to shareholders in the period.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on future Group performance and could cause actual results to differ materially from expected and historical results. The risks and uncertainties are described in detail in the section Risks and Risk Management in the Annual Report and Financial Statements for the year ended 24 September 2021 issued on 30 November 2021.

P.G. Kennedy
Chair
Date: 29 November 2021

FULL YEAR RESULTS STATEMENT
For the year ended 24 September 2021

GROUP INCOME STATEMENT
For year ended 24 September 2021

	Notes	2021 Pre - exceptional £m	2021 Exceptional (Note 4) £m	2021 Total £m	2020 Pre - exceptional £m	2020 Exceptional (Note 4) £m	2020 Total £m
Revenue	2	**1,324.8**	–	**1,324.8**	1,264.7	–	1,264.7
Cost of sales		**(901.9)**	–	**(901.9)**	(859.5)	(2.9)	(862.4)
Gross profit		**422.9**	–	**422.9**	405.2	(2.9)	402.3
Operating costs, net		**(383.3)**	**7.7**	**(375.6)**	(372.2)	(12.8)	(385.0)
Impairment of trade receivables		**(0.6)**	-	**(0.6)**	(0.5)	–	(0.5)
Group operating profit before acquisition related amortisation		**39.0**	**7.7**	**46.7**	32.5	(15.7)	16.8
Amortisation of acquisition related intangibles		**(3.9)**	–	**(3.9)**	(3.9)	–	(3.9)
Group operating profit		**35.1**	**7.7**	**42.8**	28.6	(15.7)	12.9
Finance income	5	**0.1**	–	**0.1**	0.1	–	0.1
Finance costs	5	**(19.1)**	–	**(19.1)**	(17.3)	(7.1)	(24.4)
Share of profit of associates after tax		–	–	–	0.6	–	0.6
Profit on disposal of associates		–	**4.0**	**4.0**	–	–	–
Profit/(loss) before taxation		**16.1**	**11.7**	**27.8**	12.0	(22.8)	(10.8)
Taxation		**(2.5)**	**0.4**	**(2.1)**	(1.4)	2.3	0.9
Profit/(loss) for the financial year		**13.6**	**12.1**	**25.7**	10.6	(20.5)	(9.9)
Attributable to:							
Equity shareholders		**13.3**	**12.1**	**25.4**	9.0	(20.5)	(11.5)
Non-controlling interests		**0.3**	–	**0.3**	1.6	–	1.6
		13.6	**12.1**	**25.7**	10.6	(20.5)	(9.9)
Earnings per share (pence)							
Basic earnings per share	6			**5.0**			(2.6)
Diluted earnings per share	6			**5.0**			(2.6)

FULL YEAR RESULTS STATEMENT
For the year ended 24 September 2021

GROUP STATEMENT OF COMPREHENSIVE INCOME
for year ended 24 September 2021

	2021 **£m**	2020 £m
Items of comprehensive income taken directly to equity		
Items that will not be reclassified to profit or loss:		
Actuarial gain on Group legacy defined benefit pension schemes	**36.3**	1.6
Tax (charge)/credit on Group legacy defined benefit pension schemes	**(1.1)**	2.3
	35.2	3.9
Items that may subsequently be reclassified to profit or loss:		
Currency translation adjustment	**(3.2)**	1.3
Translation reserve transferred to Income Statement on disposal of subsidiary	**(1.0)**	–
Non-controlling interest transferred to Income Statement on disposal of subsidiary	**(5.8)**	–
Cash flow hedges:		
fair value movement taken to equity	**(0.5)**	1.4
transfer to Income Statement for the year	**1.2**	0.1
	(9.3)	2.8
Net income recognised directly within equity	**25.9**	6.7
Profit/(loss) for the financial year	**25.7**	(9.9)
Total comprehensive income for the financial year	**51.6**	(3.2)
Attributable to:		
Equity shareholders	**57.3**	(4.9)
Non-controlling interests	**(5.7)**	1.7
Total comprehensive income for the financial year	**51.6**	(3.2)

FULL YEAR RESULTS STATEMENT
For the year ended 24 September 2021

GROUP STATEMENT OF FINANCIAL POSITION
at 24 September 2021

	Notes	**2021 £m**	2020 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	7	**473.3**	478.5
Property, plant and equipment	7	**307.4**	313.2
Right-of-use assets		**54.1**	55.6
Investment property		**3.0**	6.1
Retirement benefit assets	9	**42.1**	42.9
Derivative financial instruments		**–**	3.0
Deferred tax assets		**48.1**	46.1
Trade and other receivables		**0.4**	–
Total non-current assets		**928.4**	945.4
Current assets			
Inventories		**47.7**	44.7
Trade and other receivables		**196.3**	157.7
Cash and cash equivalents		**119.1**	267.0
Derivative financial instruments		**–**	0.6
Current tax receivable		**–**	0.5
Assets held for sale		**–**	11.2
Total current assets		**363.1**	481.7
Total assets		**1,291.5**	1,427.1
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**5.3**	4.5
Share premium	10	**89.7**	0.4
Reserves		**328.2**	271.6
		423.2	276.5
Non-controlling interests		**–**	5.7
Total equity		**423.2**	282.2
LIABILITIES			
Non-current liabilities			
Borrowings	8	**209.1**	397.5
Lease liabilities		**42.0**	46.6
Other payables		**3.7**	3.7
Derivative financial instruments		**2.7**	2.5
Provisions		**5.5**	5.4
Retirement benefit obligations	9	**88.1**	125.0
Deferred tax liabilities		**18.2**	11.5
Total non-current liabilities		**369.3**	592.2
Current liabilities			
Borrowings	8	**93.1**	220.0
Trade and other payables		**375.8**	302.0
Lease liabilities		**17.6**	14.1
Derivative financial instruments		**2.9**	–
Provisions		**2.1**	4.5
Current tax payable		**7.5**	10.4
Liabilities held for sale		**–**	1.7
Total current liabilities		**499.0**	552.7
Total liabilities		**868.3**	1,144.9
Total equity and liabilities		**1,291.5**	1,427.1

FULL YEAR RESULTS STATEMENT
For the year ended 24 September 2021

GROUP STATEMENT OF CASH FLOWS
for the year ended 24 September 2021

	Notes	2021 £m	2020 £m
Profit/(loss) before taxation		**27.8**	(10.8)
Finance income	5	**(0.1)**	(0.1)
Finance costs	5	**19.1**	17.3
Share of profit of associates after tax		**–**	(0.6)
Exceptional items	4	**(11.7)**	22.8
Operating profit (pre-exceptional)		**35.1**	28.6
Depreciation and impairment of property, plant and equipment (including right-of-use assets)		**54.6**	49.6
Amortisation of intangible assets		**7.0**	6.8
Employee share-based payment expense		**2.1**	2.0
Contributions to Group legacy defined benefit pension scheme	9	**(7.0)**	(9.4)
Working capital movement		**33.2**	(46.1)
Net cash inflow from operating activities before exceptional items		**125.0**	31.5
Cash outflow related to exceptional items		**(3.3)**	(10.1)
Interest paid (including lease liability interest)		**(18.8)**	(14.3)
Tax paid		**(0.2)**	(4.6)
Net cash inflow from operating activities		**102.7**	2.5
Cash flow from investing activities			
Dividends received from associates		**–**	0.3
Purchase of property, plant and equipment		**(37.1)**	(29.8)
Purchase of intangible assets		**(3.1)**	(2.1)
Disposal of undertakings		**16.3**	–
Disposal of investment property		**6.3**	–
Net cash outflow from investing activities		**(17.6)**	(31.6)
Cash flow from financing activities			
Proceeds from issue of shares (net of transaction costs)		**87.1**	0.3
(Repayment)/drawdown of bank borrowings		**(130.9)**	64.6
Repayment of lease liabilities		**(14.3)**	(11.2)
Dividends paid to equity holders of the Company		**–**	(16.7)
Dividends paid to non-controlling interests		**–**	(2.4)
Net cash (outflow)/ inflow from financing activities		**(58.1)**	34.6
Increase in cash and cash equivalents and bank overdrafts		**27.0**	5.5
Reconciliation of opening to closing cash and cash equivalents and bank overdrafts			
Cash and cash equivalents and bank overdrafts at beginning of year		**47.0**	41.6
Translation adjustment		**(0.4)**	(0.1)
Increase in cash and cash equivalents and bank overdrafts		**27.0**	5.5
Cash and cash equivalents and bank overdrafts at end of year*		**73.6**	47.0

* Cash and cash equivalents and bank overdrafts is made up of cash at bank and in hand of £119.1m (2020: £267.0m) and bank overdrafts of £45.5m (2020: £220.0m).

1. Basis of preparation

The financial information presented in this full year results statement represents financial information that has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations adopted by the European Union (EU). The financial information does not include all the information required for a complete set of financial statements prepared in accordance with EU IFRS, however selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance during the year ended 24 September 2021. The financial information is based on the information included in the audited Consolidated Financial Statements of Greencore Group plc for the year ended 24 September 2021, to which an unqualified audit opinion is provided. Full details of the basis of preparation of the Group Financial Statements for the year ended 24 September 2021 are included in Note 1 of the FY21 Annual Report.

The financial information is presented in GBP, which is the functional currency of the Company and presentation currency of the Group, rounded to the nearest million.

Adoption of IFRS and International Financial Reporting Interpretations Committee

The Group assessed the impact of new IFRS and amendments to IFRS that became effective for the current year and is satisfied that their adoption did not have a material impact on the Group's results.

The Group has set out further detail in relation to interest rate benchmark reform in the Borrowings note (note 8).

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 the current year, the Group's performance continued to be impacted by COVID-19. This was particularly evident in the first half of the year with the mobility restrictions that were imposed by the UK Government significantly impacting consumer demand. As the UK began to ease mobility restrictions in March 2021, consumer demand has continued to respond positively. Despite the increased customer demand, the Group continues to expect ongoing uncertainty regarding the duration and impact of COVID-19 on the Group's trading environment and the impact of supply side disruption arising from capacity constraints including labour availability and inflation.

Accordingly, the Directors have considered a number of scenarios for the next 18 months from the date of approval of the Annual Report. These scenarios consider the estimated potential impact of further winter restrictions arising from COVID-19 on the business along with consideration of the impact of supply chain and service level constraints. Based on current levels of trading and various durations of mobility restrictions, the impact on revenue, profit and cashflow are modelled, including the consequential impact on working capital.

Under each scenario cost and cashflow mitigating actions are modelled, including a reduction in non-business critical capital projects and other discretionary cash flow items including no payment of dividends. The Group has assumed that no significant structural changes to the business will be needed in any of the scenarios modelled.

The Group's scenarios assume:

- A base case projection which is based on the Group's FY22 budget and strategic plan;
- A downside scenario is applied to the base case, which assumes the occurrence of winter restrictions arising as a result of COVID-19 in H1 FY22 and the financial impact of several material supply side disruptions; and
- A severe downside scenario, assuming a longer period of winter restrictions and more severe supply side disruptions. In this scenario further mitigating actions are assumed including, but not limited to, a further reduction in capital expenditure and reduction of the indirect costs base.

While the Group is in a net current liability position, the Group retained financial strength and flexibility at year end, with cash and undrawn committed bank facilities of £433.6m at 24 September 2021 (September 2020: £232.0m). In addition, the directors have taken steps to ensure adequate liquidity is available to the Group including extending the maturity of the £340m revolving credit facility by one year to January 2026.

Based on these scenarios and the resources available to the Group, the directors believe the Group has sufficient liquidity to manage through a range of different cashflow scenarios over the next 18 months from the date of approval of the annual report. If the Group were not to achieve these scenarios, the Directors could consider further engagement with lenders. Accordingly, the directors adopt the going concern basis in preparing the Group Financial Statements.

2. Segment Information

Convenience Foods UK & Ireland is the Group's operating segment, which represents its reporting segment. The segment incorporates many UK convenience food categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles and, frozen Yorkshire Puddings as well as the Irish ingredients trading business.

Revenue earned individually from four customers in Convenience Foods UK & Ireland of £278.1m, £168.1m, £145.0m and £133.9m respectively represents more than 10% of the Group's revenue (2020: Revenue earned individually from four customers in Convenience Foods UK & Ireland of £274.4m, £168.5m, £146.6m and £128.9m respectively represents more than 10% of the Group's revenue).

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

	2021 £m	2020 £m
Revenue		
Food to go categories	**842.1**	772.9
Other convenience categories	**482.7**	491.8
Total revenue for Convenience Foods UK and Ireland	**1,324.8**	1,264.7

Food to go categories includes 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 the Irish Ingredients trading business.

3. Seasonality

The Group's convenience foods portfolio is seasonal in nature with the Group's business being weighted towards the second half of the year. This weighting is primarily driven by weather and seasonal buying patterns. While the split of revenue of the Group in the current year is second half weighed and aligns to the historic performance of the Group, the Group notes in the current year that the weighting also aligns to the lifting of the restrictions in the UK. In the prior year, due to the impact of COVID-19, the normal seasonality of the business was significantly impacted.

	Total revenue			Total revenue		
	H1 FY21 £m	**H2 FY21 £m**	**Full Year £m**	H1 FY20 £m	H2 FY20 £m	Full Year £m
Reported revenue	**577.1**	**747.7**	**1,324.8**	712.7	552.0	1,264.7

	Food to go categories			**Other convenience categories**		
	H1 FY21 £m	**H2 FY21 £m**	**Full Year £m**	**H1 FY21 £m**	**H2 FY21 £m**	**Full Year £m**
Reported revenue	**339.2**	**502.9**	**842.1**	**237.9**	**244.8**	**482.7**

4. Exceptional Items

Exceptional items are those which should be disclosed separately by virtue of their nature or amount. Such items are included within the Group Income Statement caption to which they relate.

The Group reports the following exceptional items:

		2021 £m	2020 £m
Profit on disposal of Molasses trading businesses	(A)	**11.3**	–
Legacy defined benefit pension schemes restructuring charge	(B)	**(4.0)**	–
Non-core property related income/(charges)	(C)	**3.3**	(8.2)
Legacy business provisions	(D)	**1.1**	2.2
Transaction and integration costs	(E)	**–**	(2.9)
Inventory and plant and equipment impairment	(E)	**–**	(4.8)
Restructuring costs	(E)	**–**	(2.0)
Debt restructuring and modification	(E)	**–**	(7.1)
Total exceptional items before taxation		**11.7**	(22.8)
Tax on exceptional items		**0.4**	2.3
Total exceptional items		**12.1**	(20.5)

(A) Profit on disposal of Molasses trading businesses

On 2 December 2020, the Group completed the disposal of its interest in the Molasses trading businesses recognising a profit on disposal of £7.3m for Premier Molasses Company within operating profit, and £4.0m for United Molasses (Ireland) Limited, which has been recognised within profit on disposal of associates. Further details on the disposal are set out in Note 11.

(B) Legacy defined benefit pension schemes restructuring charge

During the year, the Group reached agreement with the Trustees of its three Irish legacy defined benefit pension schemes to consolidate its Irish legacy defined benefit obligations into one pension scheme. This required the wind up of the two smaller schemes and transfer of deferred beneficiaries to the remaining larger scheme. Gross pension liabilities of £15.0m were eliminated due to the settlement of pensioner obligations through the purchase of annuities. At 24 September 2021, the transfer process had substantially completed and the Group recognised a settlement charge of £2.8m for those deferred beneficiaries who availed of the option to transfer out of the scheme. The Group also incurred £1.2m of costs associated with the restructure. Details of the restructure are set out at Note 9.

(C) Non-core property related income/(charges)

In September 2021, the Group disposed of an investment property at Corby, Northamptonshire, UK. Prior to disposal, an assessment was performed of the recoverable value being the fair value less costs to sell versus the carrying value of the asset. This assessment resulted in a reversal of an impairment taken in a previous year with a credit of £3.3m being recognised in the current year.

In the prior year, the Group completed a review of property assets held across the Group to assess their recoverable value in line with the requirements of IAS 36 *Impairment of Assets*. This resulted in a charge of £8.2m being recorded for impairment of investment properties and property, plant and equipment.

(D) Legacy business provisions

During the current year, the Group recognised a net credit of £1.1m relating to legacy provisions and discontinued operations. The net credit primarily related to a legacy US legal case which settled in the period resulting in a provision release. In addition, the Group recognised charges for remediation for certain of the Group's properties.

In the prior year, 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.

(E) Other exceptional items

The disclosures in relation to exceptional items that occurred in the prior year which have no comparative in the current year are disclosed in the FY21 Annual Report.

Cash flow on exceptional items

The total net cash outflow during the year in respect of exceptional charges was £3.3m (2020: £10.1m), of which £2.9m was in respect of prior year exceptional charges. The net proceeds from the disposal of the Molasses trading businesses of £16.3m and the disposal of the investment property at Corby of £6.3m, have been recognised separately on the Group Statement of Cash Flows within investing activities.

5. Finance income and finance costs

	2021 £m	2020 £m
Finance income		
Interest on bank deposits	**–**	0.1
Foreign exchange on inter-company and external balances where hedge accounting is not applied	**0.1**	–
Total finance income	**0.1**	0.1
Finance costs		
Finance costs on cash and cash equivalents, borrowings and other financing costs	**(15.0)**	(14.8)
Interest on lease obligations	**(1.3)**	(1.2)
Net pension financing charge	**(1.7)**	(1.9)
Unwind of discount on liabilities	**(0.1)**	(0.1)
Change in fair value of derivatives and related debt adjustment	**(1.0)**	1.1
Foreign exchange on inter-company and external balances where hedge accounting is not applied	**–**	(0.4)
Total finance costs recognised in the Group Income Statement before exceptional items	**(19.1)**	(17.3)
Exceptional items		
Debt restructuring and modification	**–**	(7.1)
Total exceptional finance costs recognised in the Group Income Statement	**–**	(7.1)
Total finance costs	**(19.1)**	(24.4)

6. Earnings per Ordinary Share

The Group raised £90m by way of an equity placing which completed on 26 November 2020. The Group issued 80,357,142 Ordinary Shares in the Company on the London Stock Exchange, at a placing price of 112 pence per Ordinary Share. The effect of this on the weighted average number of shares for FY21 was an increase of 66,707,436 shares.

Numerator for Earnings per Share Calculations

	2021 £m	2020 £m
Profit/(loss) attributable to equity holders of the Company	**25.4**	(11.5)

Denominator for Basic Earnings Per Share Calculations

	2021 '000	2020 '000
Shares in issue at the beginning of the year	**446,157**	446,007
Effect of shares held by Employee Benefit Trust	**(1,116)**	(2,235)
Effect of shares issued in equity placing in the year	**66,707**	–
Effect of shares issued during the year	**16**	112
Weighted average number of Ordinary Shares in issue during the year	**511,764**	443,884
Dilutive effect of share awards	**660**	1,180
Weighted average number of Ordinary Shares for diluted earnings per share	**512,424**	445,064

	2021 pence	2020 pence
Basic earnings per Ordinary Share	**5.0**	(2.6)
Diluted earnings per Ordinary Share	**5.0**	(2.6)

7. Impairment of goodwill, intangible assets and property, plant and equipment

The Group performed an impairment test on the carrying value of goodwill (£449.4m) at 24 September 2021 using a value in use model to determine the recoverable amount. The recoverable amount had significant headroom above the carrying value and therefore, no impairment was recorded (2020: £nil). There was also no impairment of intangible assets (2020: £0.2m). There was an impairment of £4.4m recorded on property, plant and equipment following a comprehensive review of assets during the year (2020: £6.1m).

8. Borrowings

	2021	2020
	£m	£m
Bank overdrafts	**(45.5)**	(220.0)
Bank borrowings	**(150.1)**	(283.5)
Private placement notes	**(106.6)**	(114.0)
Total borrowings	**(302.2)**	(617.5)

Bank Borrowings

The Group's bank borrowings, net of finance fees comprised of £150.1m at 24 September 2021 (September 2020: £283.5m) with maturities to January 2026. During the year, the Group refinanced the £50m bilateral loan which had been due to mature in January 2022 to a new three-year term maturing in January 2024. The Group had £360.0m (September 2020: £185.0m) of undrawn committed bank facilities in respect of which all conditions precedent had been met. Uncommitted facilities undrawn at 24 September 2021 amounted to £6.7m (September 2020: £7.0m). The Group secured an additional £45.0m three year committed bank facility in June 2021, which was drawndown in October 2021. The Group also extended the maturity of its £340.0m revolving credit facility by one year to January 2026.

Private Placement Notes

The Group's outstanding Private Placement Notes net of finance fees comprised of £106.6m (denominated as $120.9m and £18m) at 24 September 2021 (2020: £114.0m, denominated as $120.9m and £18m). These were issued as fixed rate debt in October 2013 ($65m) and June 2016 ($55.9m and £18m).

The Group 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.

Subsequent to the year end, the Group repaid the fixed rate debt of $65m in October 2021.

Reconciliation of movements of liabilities to cash flows arising from financing activities

The reconciliation of the movement in the Group's liabilities to cash flows arising from financing activities is included below. In addition, the Group has presented the movement in the Group's cash and cash equivalents and bank overdrafts to present the movement in the Group's overall net debt for the year.

	At 25 September 2020 £m	**Cash flow £m**	**Translation and non-cash adjustments £m**	**At 24 September 2021 £m**
Bank borrowings	**(283.5)**	**130.9**	**2.5**	**(150.1)**
Private Placement Notes	**(114.0)**	**–**	**7.4**	**(106.6)**
Lease liabilities	**(60.7)**	**15.6**	**(14.5)**	**(59.6)**
Total changes in liabilities arising from financing activities	**(458.2)**	**146.5**	**(4.6)**	**(316.3)**
Cash and cash equivalents and bank overdrafts	**47.0**	**27.0**	**(0.4)**	**73.6**
Net Debt	**(411.2)**	**173.5**	**(5.0)**	**(242.7)**

Net debt excluding the impact of lease liabilities is used by the Group for the purpose of calculating leverage under the Group's financing agreements. The movement in net debt excluding lease liabilities represents a decrease in net debt of £167.4m to £183.1m at 24 September 2021 and is set out in the Alternative Performance Measures section of this Results Statement on page 23.

Covenants

The Group secured agreement with its bank lending syndicate and Private Placement Noteholders to waive the Net Debt to EBITDA covenant condition for the March 2021 test period and amend the Net Debt to EBITDA covenant condition for the June 2021 test period. There was a return to normal operating covenant conditions at September 2021 and the Group was in compliance with all conditions.

IBOR Reform – Transition to new benchmark interest rates

In response to the transition to new benchmark interest rates, the Group identified all contracts with reference to LIBOR within the business and appointed a project team to ensure a smooth transition to alternative benchmark rates. To date, the Group has updated all of its floating rate bank borrowing facility agreements to include appropriate transition language from GBP LIBOR to SONIA and closed out all existing GBP LIBOR interest rate swaps (£100.0m) and replaced them with SONIA interest rate swaps (£90.0m). The Group no longer holds any derivatives or hedge relationships that reference LIBOR. Furthermore in November 2021, the Group updated all of its floating rate intercompany loan documentation and other committed facilities to allow for transition from LIBOR to SONIA. The work on transitioning other contracts and arrangements that are linked to LIBOR is ongoing but it expected to complete ahead of the cessation of the publication of LIBOR.

9. Retirement Benefit Obligations

The Group operates three legacy defined benefit pension schemes in the Republic of Ireland (the 'Irish schemes') and one legacy defined benefit pension scheme 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.

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

The Group's retirement benefit obligations moved from a net liability of £82.1m at 25 September 2020 to a net liability of £46.0m at 24 September 2021. This reduction in the net liability position is mainly driven by an actuarial gain on assets of £31.0m and actuarial gains on liabilities of £5.3m. During the year, the Group paid £8.0m (2020: £10.4m) in contributions to the pension schemes.

Where a funding valuation reveals a deficit in a scheme, the Group will generally agree a schedule of contributions with the trustees designed to address the deficit over an agreed future time horizon. Full actuarial valuations were carried out between 31 March 2019 and 31 March 2020. In general, actuarial valuations are not available for public inspection, however, the results of valuations are advised to members of the various schemes. All of the schemes are operating under the terms of current funding proposals agreed with relevant pension authorities. Based on current discussions with the Trustees of the scheme cash contributions are expected to be approximately £15m in FY22.

In protecting the business and liquidity in response to the COVID-19 pandemic, the Group entered a formal agreement with the Trustees of the legacy defined benefit pension scheme in the UK to defer cash contributions to the pension for a period of six months which resulted in a reduction of cash contributions of £5.1m (2020: £4.9m). In aggregate, £10.0m has been deferred over 2020 and 2021. This deferral is included in the funding plan as part of the annual contribution from the Group.

In October 2020, the Trustees of two of the smaller Irish defined benefit pension schemes purchased an insurance policy for the scheme liabilities relating to pension members. The insurance policy was treated as a plan asset and the fair value of the policy is deemed to be the present value of the related obligations.

In January 2021, the Group and the Trustees of all three Irish schemes reached agreement to wind up the two smaller schemes and transfer deferred beneficiaries to the larger scheme. At 24 September 2021, the transfer process had substantially completed and the Group recognised a settlement charge within exceptional items of £2.8m for the members that transferred out of the scheme, and £1.2m of transaction costs associated with the restructure (Note 4). In addition, the Trustees agreed to complete the buy-out of the scheme insurance policy in respect of pension members which eliminated the Group's obligations under the scheme. The carrying value of the plan assets and scheme liabilities prior to settlement were £15.0m respectively.

The financial position of the schemes was as follows:

	UK Schemes £m	**Irish Schemes £m**	**2021 Total £m**	UK Schemes £m	Irish Schemes £m	2020 Total £m
Fair value of plan assets	**260.6**	**220.7**	**481.3**	232.8	270.0	502.8
Present value of scheme liabilities	**(347.7)**	**(179.6)**	**(527.3)**	(356.7)	(228.2)	(584.9)
(Deficit)/surplus in schemes	**(87.1)**	**41.1**	**(46.0)**	(123.9)	41.8	(82.1)
Deferred tax asset	**21.8**	**(5.1)**	**16.7**	23.5	(5.2)	18.3
Net (liability)/asset at end of year	**(65.3)**	**36.0**	**(29.3)**	(100.4)	36.6	(63.8)
Presented as:						
Retirement benefit asset*			**42.1**			42.9
Retirement benefit obligation			**(88.1)**			(125.0)

*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 surplus from the remaining assets of a plan at the end of the plan's life.

The principal actuarial assumptions are as follows:

	UK Schemes		**Irish Schemes**	
	2021	2020	**2021**	2020
Rate of increase in pension payments*	**3.35%**	2.85%	**0.00%**	0.00%
Discount rate	**1.90%**	1.70%	**1.13%**	0.95%
Inflation rate**	**3.45%**	2.95%	**1.80%**	1.50%

* The rate of increase in pension payments applies to the majority of the liability base, however there are certain categories within the Group's Irish Schemes that have an entitlement to pension indexation.

**Inflation is Retail Price Index (RPI) for UK Schemes, for reference Consumer Price Index (CPI) is assumed to be 0.4% per annum lower than RPI.

10. Share capital and share premium

As disclosed in Note 6, the Group completed an equity placing on 26 November 2020. The Group issued 80,357,142 ordinary shares with a nominal value of £0.01 each on the London Stock Exchange at a placing price of 112 pence per ordinary share. This resulted in total proceeds of £90.0m being received with £0.8m being recorded as part of share capital and £89.2m recorded as share premium. Transaction costs of £3.0m relating to the issue were deducted from retained earnings.

11. Disposal of undertakings

On 28 July 2020, the Group announced that it had entered into a conditional agreement to sell its interest in its molasses trading businesses Premier Molasses Company Limited ('Premier Molasses') and United Molasses (Ireland) Limited ('UMI') to United Molasses Marketing (Ireland) Limited and United Molasses Marketing Limited. The final approval of the relevant anti-trust authorities and the transaction settled on 2 December 2020. The total net assets disposed of amounted to £13.1m with an overall profit on disposal of £11.3m being generated and net cash inflow on disposal of £16.3m.

12. Dividends Paid and Proposed

The Group did not proceed with any dividends in the current financial year and there is no proposed final dividend for the year. This is in line with previous announcements (2020: £nil). The final dividend for the year ended 27 September 2019 of £16.7m was paid in FY20.

13. Subsequent Events

Bank Refinancing

The Private Placement Notes of $65m, which matured in October 2021, were repaid and replaced by a three-year term loan facility of £45m, maturing in June 2024.

Resignation of Chief Executive Officer

On 25 November 2021, the Group announced that Patrick Coveney is stepping down from his role as Director and Chief Executive Officer. He will resign from both positions effective 30 March 2022.

14. Information

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

ALTERNATIVE PERFORMANCE MEASURES

The Group uses the following Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole: Pro Forma Revenue Growth, Adjusted EBITDA, Adjusted Operating Profit, Adjusted Operating Margin, Adjusted Profit before Tax ('PBT'), Adjusted Earnings, Adjusted Earnings per Share, Maintenance and Strategic Capital Expenditure, Free Cash Flow, Free Cash Flow Conversion, Net Debt, Net Debt excluding lease liabilities and Return on Invested Capital ('ROIC'). The APMs used in this results statement are consistent with those used in the Annual Report and are consistent year on year.

The Group believes that these APMs provide useful historical information to help investors evaluate the performance of the underlying business and are measures commonly used by certain investors and security analysts for evaluating the performance of the Group. In addition, the Group uses certain APMs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group.

PRO FORMA REVENUE GROWTH

The Group uses Pro Forma Revenue Growth as a supplemental measure of its performance. The Group believes that Pro Forma Revenue Growth provides an accurate guide to underlying revenue performance and is calculated by adjusting reported revenue for the impact of acquisitions, disposals and foreign currency.

Pro Forma Revenue Growth adjusts reported revenue to reflect the disposal of Premier Molasses Company Limited for FY20 and for revenue in FY21 up to the date of disposal. It also presents the revenue on a constant currency basis utilising FY20 FX rates on FY21 reported revenue.

	2021 Convenience Foods UK & Ireland %
Reported revenue	**4.8%**
Impact of disposals	**1.3%**
Impact of currency	**0.1%**
Pro Forma Revenue Growth (%)	**6.2%**

The table below shows the Pro Forma Revenue split by food to go categories and other convenience categories.

	Food to go categories			**Other convenience categories**		
	H1 FY21 %	**H2 FY21 %**	**Full Year %**	**H1 FY21 %**	**H2 FY21 %**	**Full Year %**
Reported revenue	**(25.6%)**	**58.6%**	**9.0%**	**(7.4%)**	**4.2%**	**(1.9%)**
Impact of disposals	**–**	**–**	**–**	**2.1%**	**4.7%**	**3.4%**
Impact of currency	**–**	**–**	**–**	**(0.3%)**	**0.7%**	**0.1%**
Pro Forma Revenue Growth (%)	**(25.6%)**	**58.6%**	**9.0%**	**(5.6%)**	**9.6%**	**1.6%**

ADJUSTED EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN

Adjusted EBITDA, Adjusted Operating Profit and Adjusted Operating Margin are used by the Group to measure the underlying and ongoing operating performance of each operating segment and of the Group as a whole.

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

ADJUSTED EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN (continued)

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

	2021 £m	2020 £m
Profit/(loss) for the financial year	**25.7**	(9.9)
Taxation [(A)]	**2.1**	(0.9)
Exceptional items	**(11.7)**	22.8
Share of profit of associates after tax	**–**	(0.6)
Net finance costs [(B)]	**19.0**	17.2
Amortisation of acquisition related intangibles	**3.9**	3.9
Adjusted Operating Profit	**39.0**	32.5
Depreciation and amortisation [(C)]	**53.3**	52.5
Adjusted EBITDA	**92.3**	85.0
Adjusted Operating Margin (%)	**2.9%**	2.6%

(A) Includes tax credit on exceptional items of £0.4m (2020: £2.3m).

(B) Finance costs less finance income.

(C) Excludes amortisation of acquisition related intangibles.

ADJUSTED PROFIT BEFORE TAX ('PBT')

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

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

The following table sets out the calculation of Adjusted PBT:

	2021 £m	2020 £m
Profit/(loss) before taxation	**27.8**	(10.8)
Taxation on share of profit of associates	**–**	0.2
Exceptional items	**(11.7)**	22.8
Pension finance items	**1.7**	1.9
Amortisation of acquisition related intangibles	**3.9**	3.9
FX and fair value movements[(A)]	**0.9**	(0.7)
Adjusted Profit Before Tax	**22.6**	17.3

(A) FX on inter-company and certain external balances and the movement in the fair value of all derivative financial instruments and related debt adjustments.

ADJUSTED BASIC EARNINGS PER SHARE ('EPS')

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

Adjusted Earnings is calculated as Profit attributable to equity holders (as shown on the Group Income Statement) adjusted to exclude exceptional items (net of tax), the effect of foreign exchange (FX) on inter-company and external balances where hedge accounting is not applied, the movement in the fair value of all derivative financial instruments and related debt adjustments, the amortisation of acquisition related intangible assets (net of tax) and the interest expense relating to legacy defined benefit pension liabilities (net of tax). Adjusted EPS is calculated by dividing Adjusted Earnings by the weighted average number of Ordinary Shares in issue during the year, excluding Ordinary Shares purchased by Greencore and held in trust in respect of the Annual Bonus Plan and the Performance Share Plan. Adjusted EPS described as an APM here is Adjusted Basic EPS.

ADJUSTED EARNINGS PER SHARE ('EPS') (continued)

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

	2021 **£m**	2020 £m
Profit/(loss) attributable to equity holders of the Group	**25.4**	(11.5)
Exceptional items (net of tax)	**(12.1)**	20.5
FX effect on inter-company and external balances where hedge accounting is not applied	**(0.1)**	0.4
Movement in fair value of derivative financial instruments and related debt adjustments	**1.0**	(1.1)
Amortisation of acquisition related intangible assets (net of tax)	**3.2**	3.2
Pension financing (net of tax)	**1.4**	1.5
Adjusted Earnings	**18.8**	13.0

	2021 **'000**	2020 '000
Weighted average number of ordinary shares in issue during the year	**511,764**	443,884

	2021 **pence**	2020 pence
Adjusted Basic Earnings Per Share	**3.7**	2.9

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.

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:

	2021 **£m**	2020 £m
Purchase of property, plant, and equipment	**37.1**	29.8
Purchase of intangible assets	**3.1**	2.1
Net cash outflow from capital expenditure	**40.2**	31.9
Strategic Capital Expenditure	**24.0**	13.0
Maintenance Capital Expenditure	**16.2**	18.9
Net cash outflow from capital expenditure	**40.2**	31.9

FREE CASH FLOW AND FREE CASH FLOW CONVERSION

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

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

The Group calculates Free Cash Flow Conversion as Free Cash Flow divided by Adjusted EBITDA.

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

	2021 £m	2020 £m
Net cash inflow from operating activities	**102.7**	2.5
Net cash outflow from investing activities	**(17.6)**	(31.6)
Net cash inflow/(outflow) from operating and investing activities	**85.1**	(29.1)
Strategic Capital Expenditure	**24.0**	13.0
Repayment of lease liabilities	**(14.3)**	(11.2)
Disposal of undertakings	**(16.3)**	–
Disposal of investment property	**(6.3)**	–
Dividends paid to non-controlling interest	**–**	(2.4)
Free Cash Flow	**72.2**	(29.7)
Adjusted EBITDA	**92.3**	85.0
Free Cash Flow Conversion (%)	**78.2%**	(34.9%)

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 Group's financing agreements.

The reconciliation of opening to closing net debt for the year ended 24 September 2021 is as follows:

	At 25 September 2020 £m	**Cash flow £m**	**Translation and non-cash adjustments £m**	**At 24 September 2021 £m**
Cash and cash equivalents and bank overdrafts	**47.0**	**27.0**	**(0.4)**	**73.6**
Bank borrowings	**(283.5)**	**130.9**	**2.5**	**(150.1)**
Private Placement Notes	**(114.0)**	**–**	**7.4**	**(106.6)**
Net debt excluding lease liabilities	**(350.5)**	**157.9**	**9.5**	**(183.1)**
Lease liabilities	**(60.7)**	**15.6**	**(14.5)**	**(59.6)**
Net Debt	**(411.2)**	**173.5**	**(5.0)**	**(242.7)**

NET DEBT AND NET DEBT EXCLUDING LEASE LIABILITIES (continued)

	At 27 September 2019 £m	IFRS 16 transition adjustment £m	Cash flow £m	Translation and non-cash adjustments £m	Transferred to held for sale £m	At 25 September 2020 £m
Cash and cash equivalents and bank overdrafts	41.6	–	5.5	(0.1)	–	47.0
Bank borrowings	(213.9)	–	(64.6)	(5.0)	–	(283.5)
Private Placement Notes	(116.2)	–	–	2.2	–	(114.0)
Net debt excluding lease liabilities	(288.5)	–	(59.1)	(2.9)	–	(350.5)
Lease liabilities	–	(54.1)	12.4	(19.7)	0.7	(60.7)
Net Debt	(288.5)	(54.1)	(46.7)	(22.6)	0.7	(411.2)

RETURN ON INVESTED CAPITAL ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit and for the Group as a whole as well as measuring the financial quality 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, the carrying value of derivatives not designated as fair value hedges and retirement benefit obligations (net of deferred tax assets). Average Invested Capital is calculated by adding together the invested capital from the opening and closing Statement of Financial Position and dividing by two.

The Group calculates ROIC as Net Adjusted Operating Profit After Tax ('NOPAT') divided by average Invested Capital. 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.

	2021 £m	2020 £m
Adjusted Operating Profit	**39.0**	32.5
Share of profit of associates before tax	**–**	0.8
Taxation at the effective tax rate (A)	**(5.9)**	(4.3)
Group NOPAT	**33.1**	29.0

	2021 £m	2020 £m
Invested Capital		
Total assets	**1,291.5**	1,427.1
Total liabilities	**(868.3)**	(1,144.9)
Net Debt	**242.7**	411.2
Lease liability transferred to held for sale	**–**	0.7
Derivatives not designated as fair value hedges	**5.6**	(1.1)
Retirement benefit obligation (net of deferred tax asset)	**29.3**	63.8
Invested Capital for the Group(B)	**700.8**	756.8
Average Invested Capital for ROIC calculation for the Group	**728.8**	712.0
ROIC (%) for the Group	**4.5%**	4.1%

(A) The effective tax rates for the Group for the financial year ended 24 September 2021 and 25 September 2020 were 15% and 13% respectively.

(B) The invested capital for the Group in 2019 was £667.2m.