Annual report
and financial statements
2015

The specialist international retail meat packing business

Hilton Food Group plc, the specialist retail meat packing business supplying major international food retailers in thirteen European countries and Australia, announces its results for the 53 weeks ended 3 January 2016.

During 2015 Hilton made strong progress in pursuing its growth strategy, including the expansion of the Australian joint venture and the completion of the major UK capacity expansion project. We will continue to look for available opportunities to progressively and profitably expand the scale and scope of our operations as they arise using a business model that has over time proved to be successful, resilient, relevant and internationally transferable.

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Strong progress

Strategic highlights

The investment made to modernise and expand the capacity of our Huntingdon site in the UK, to service increased volumes for Tesco, was completed during 2015. The new production facilities are now fully bedded in, working well and delivering the planned operational efficiencies.

The progress of the joint venture with Woolworths in Australia continues to be encouraging. A new dedicated retail packed meat facility, near Melbourne, operated by the joint venture company, commenced production on schedule in September 2015, with the store roll out plan covering Victoria and South Australia now completed.

Operating highlights

Volume growth of 5.5%, with growth in the UK, Ireland and Holland for Tesco and Albert Heijn with particularly strong Christmas trading, partly offset by continuing pressure on consumer spending in Denmark.

Revenue reduced by 0.4% despite the volume gains, reflecting the strengthening of Sterling, which decreased revenue by 7.4%.

Operating profit at £29.0m 11.3% ahead of last year (2014: £26.1m) and 20.9% higher on a constant currency basis.

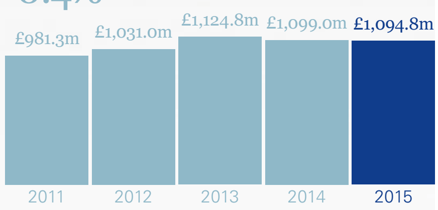
Investment expenditure returning to maintenance levels at £13.7m (2014: £43.3m), following completion of the major re-investment programmes undertaken in the UK and Sweden.

A free cash inflow of £31.7m (compared to an outflow of £2.1m in 2014) generating net cash balances of £12.7m at the year end, as compared with net debt of £7.7m at end of 2014.

A strong ungeared balance sheet providing a firm platform for future expansion.

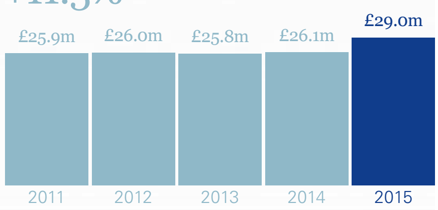
Revenue (£m)

£1,094.8m
-0.4%



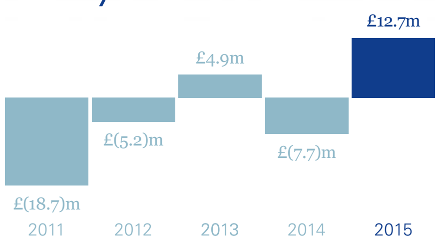
Operating profit (£m)

£29.0m
+11.3%

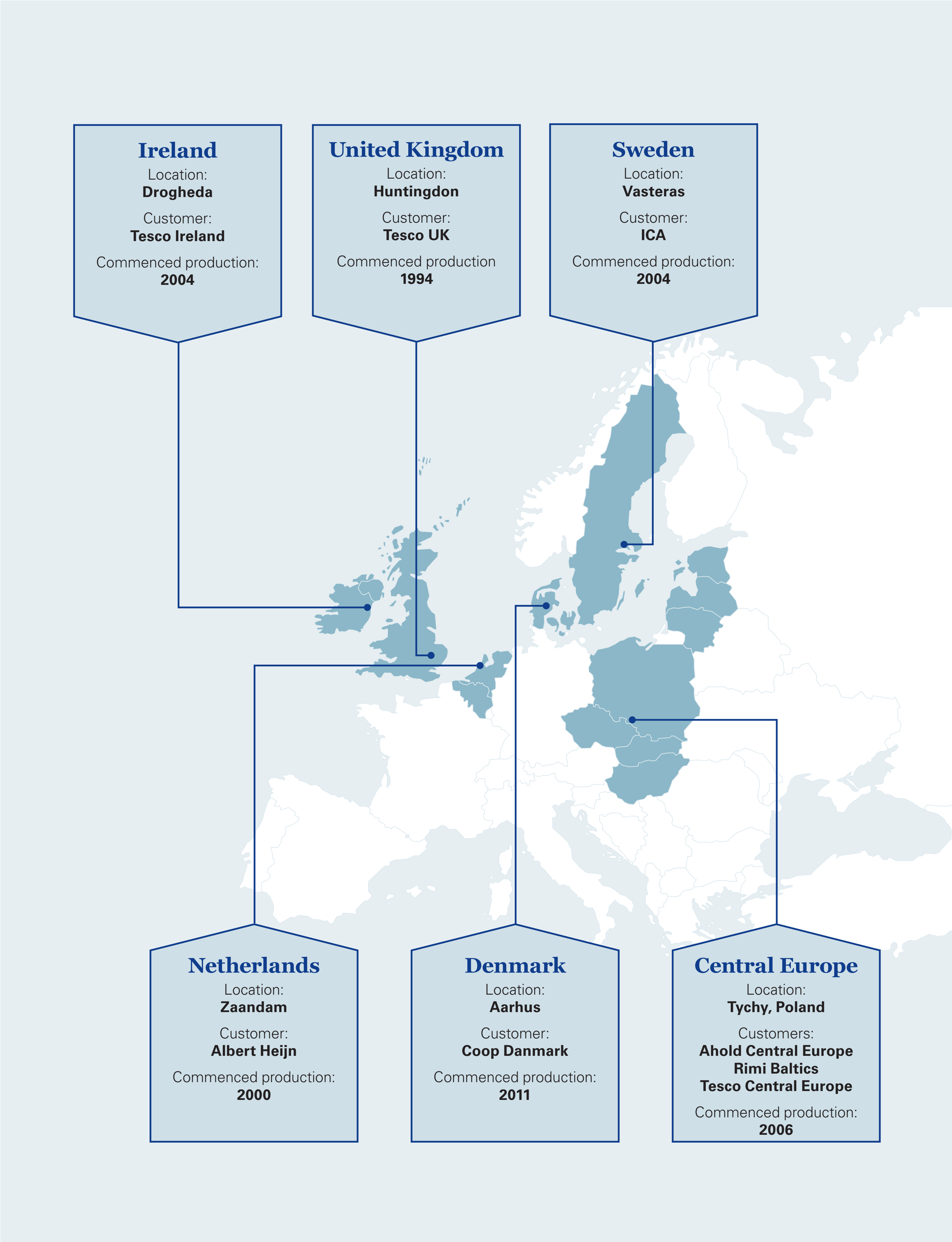


Closing net cash/(debt) (£m)

£12.7m



Where we operate



We are a leading specialist meat packing business supplying major international food retailers

Strategic report

We have achieved further volume growth despite relatively challenging market conditions in some countries, with strong underlying profit progress.

Sir David Naish DL
Non-Executive Chairman

Strategic delivery

I am pleased to report that continued strong strategic progress was achieved during 2015. A new meat processing facility for Woolworths near Melbourne in Victoria, operated by the joint venture company, commenced production on time in September 2015, with the store roll out plan across Victoria and South Australia now completed.

The major investment program undertaken at the Group's UK facilities in Huntingdon, involving a significant extension of the site's processing and packing capacity, the addition of a further production unit and the streamlining and modernisation of the complete facility has been successfully completed, with the new facilities now bedded in and generating improved operational performances more rapidly than previously expected.

Group performance and shareholder returns

Further volume growth was achieved during 2015, notwithstanding relatively challenging market conditions in some countries. Strong underlying profit progress was achieved despite a material impact on our profitability reported in Sterling from adverse exchange translation movements.

The Group's net income in 2015 at £20.0m was 10.8% ahead of 2014 (£18.1m) and 20.7% higher in constant currency terms. Basic earnings per share at 27.5p were 10% ahead of last year. Hilton continued to generate significant free cash flow during 2015, which enabled the Group to move into a positive £12.7m net cash position by the year end (as compared with net debt of £7.7m at the end of 2014).

Over the last two years we have made major new investments to secure the Group's future growth potential. The principal items of expenditure involved the redevelopment of the Group's facilities in Huntingdon to enable the planned UK volume increases for Tesco and a re-investment programme at Vasteras in Sweden. Both projects were successfully completed in early 2015, providing additional capacity and delivering considerable improvements in operational efficiency.

The Board considers that the Group's progressive dividend policy maintained since flotation remains appropriate, given both the further strategic progress achieved in 2015 and Hilton's continuing strong level of cash generation. With the proposed final dividend of 1.3p per ordinary share for 2015, total dividends paid in respect of 2015 will have increased by 9.8%, as compared to last year.

Our Board

The Board is responsible for the long term success of the Group and to achieve this it contains an appropriate mix of skills and depth and a range of practical business experience, which is available to support and guide our management teams across a wide range of countries.

After nine years valuable service Chris Marsh has stepped down as a Non-Executive Director and I will be stepping down as Non-Executive Chairman following the forthcoming Annual General Meeting, with Colin Smith assuming this role. We are delighted to welcome Christine Cross and John Worby as new Non-Executive Directors, both of whom will bring a wide range of skills and expertise to our business.

I have been privileged to serve on the Board since just before our Company's flotation in 2007, for the last six years as Non-Executive Chairman. I am pleased to confirm that there is well planned succession in the Group. I will continue to assist the Group on agricultural matters and would like to take this opportunity to thank my colleagues on the Board for their support, counsel and expertise over the six years of my chairmanship. I am confident that under the leadership of Colin Smith and Robert Watson the Group will continue to make excellent progress.

Annual General Meeting

This year's AGM will be held at the Old Bridge Hotel, 1 High Street, Huntingdon, Cambridgeshire PE29 3TQ on 25 May 2016 at noon and my colleagues and I very much look forward to seeing those of you who are able to attend.

Sir David Naish DL
Non-Executive Chairman
30 March 2016

> Hilton's medium term growth outlook remains encouraging and we expect to make continued progress.

Robert Watson OBE
Chief Executive Officer

Strategic objectives

Our strategy is focused on supporting our customers' brands and their development in their local markets, whilst achieving attractive and sustainable rates of growth in value for our shareholders. This straightforward approach has generated growth over an extended period of time and, with a strong reputation, well invested modern facilities and a robust balance sheet, the Group remains well positioned to achieve continuing progress.

Hilton seeks to build long term customer and shareholder value by focusing on:

– Growing volumes and extending product ranges supplied and services provided to its existing customers;

– Optimising the use of its assets and investing in new technology and capacity expansion as required;

– Maintaining a vigilant focus on food safety and integrity and reducing unit costs, while improving product quality and service provision; and

– Entering new territories either with new customers or in partnership with our existing customers.

We will continue to pursue disciplined geographical expansion, whilst at the same time actively developing, enriching, deepening and expanding the scope of our existing business partnerships, playing a full and proactive role in strongly supporting our customers and the successful development of their brands.

Business model

Our business model is the means by which we deliver on our strategic objectives. The Hilton business model is proven and sustainable, whilst being relatively simple and straightforward. We operate large scale, extensively automated and robotised meat processing and packing facilities for major international multiple retailers on a dedicated basis. The one exception is in Central Europe, where our facility in Poland supplies more multiple retailers in order to achieve critical mass in terms of volumes supplied and the consequent ability to achieve competitive unit packing costs.

Raw material meat is sourced, in close co-operation with our retail partners, from local sources and a wide international base of proven suppliers. It is then processed, packed and delivered to the retailers' distribution centres or stores. Our plants are highly automated and use advanced robotics for the storage of raw materials and finished products. Developing robotics technology has been extended in recent years both in the production environment and to the sorting of finished products by retailer store order, achieving material supply chain efficiencies for our customers.

To ensure our continued competitiveness, we seek to keep ourselves at the forefront of the meat packing industry. We constantly seek to drive further efficiencies, always maintaining a pipeline of clear identifiable cost reduction initiatives and an open minded approach designed to continually challenge the status quo. We consider our modern, very well invested facilities to be a key factor in keeping unit packing costs as low as possible. Over the past twelve years we have invested continuously across all areas of our business, including the sourcing of raw materials, the design of packaging materials, increased efficiency in processing and storage solutions and updating our IT infrastructure. Capital expenditure over this period has totalled over £210m.

In Europe we have facilities in six countries each run by a local management team enhanced by specialist central leadership, expertise, advice and support. These businesses operate under the terms of five to ten year Long Term Supply Agreements with our retail partners, either on a cost plus or agreed packing rate basis. These contractual arrangements, combined with our customer dedication, serve to maximise achievable volume throughput whilst minimising unit packing costs. In Australia our joint venture company receives a volume related management fee in respect of the facilities it operates on behalf of Woolworths.

Under the long term agreements we have in place with our customers the parameters of our revenue are clearly defined. As well as income derived from the supply of retail packed meat products there are also provisions whereby our income can be increased or decreased subject to achievement of certain pre-agreed and pre-defined key performance measures and targets.

We are a committed and loyal partner with a continuing record of delivering value through quality products with the highest levels of food safety, traceability and integrity, whilst providing a range of services which enable our customers to evolve and improve their meat supply chain management. Our customer base comprises high quality multiple retailers and our in-depth understanding of our customers' needs, together with those of their consumers, enables us to play an active role in managing their meat supply chains whilst providing agile solutions to supply chain challenges as they arise. As our customers' markets change and competition increases, we need to keep a constant focus on the challenges they face so as to be able to put forward flexible solutions, together with continuing increases in efficiency and cost competitiveness.

The strength of our long term partnerships with our retail customers has been a key driver of our growth since the Group was formed and will continue to underpin the Group's strategy. Hilton's business model has proved successful across a range of European countries, appropriately adapted in each case by working in close collaboration with its local customers to meet their specific requirements. Our experience to date continues to indicate that our business model, appropriately adapted, can be successfully transferred to a number of new countries.

Geographical spread

The Group's rapid past expansion has been based on its established track record, together with its growing international reputation and experience and the recognised success of the close partnerships it has forged and maintained with successful retail partners. We are an international business and the seven countries in which the Group currently has production facilities, with the dates operations commenced in each country, are set out below:

Year	Country	Location	Customers
1994	United Kingdom	Huntingdon	Tesco UK
2000	Netherlands	Zaandam	Albert Heijn
2004	Ireland	Drogheda	Tesco Ireland
2004	Sweden	Vasteras	ICA
2006	Central Europe	Tychy, Poland	Ahold (2006) Tesco (2007) Rimi (2009)
2011	Denmark	Aarhus	Coop Danmark
2013	Australia	Bunbury and Brisbane (2013), Melbourne (2015)	Woolworths

The facility in Tychy supplies Ahold stores in Czech Republic and Slovakia, Tesco stores in Hungary, Czech Republic, Poland and Slovakia and Rimi stores in Latvia, Lithuania and Estonia. The facility at Zaandam also supplies Albert Heijn stores in Belgium.

The joint venture with Woolworths in Australia involves our joint venture company managing Woolworths' meat processing and packing facilities at Bunbury in Western Australia, Brisbane in Queensland and, from September 2015, a new state of the art meat packing facility near Melbourne, in Victoria.

Currency translation

In 2015 62% of the Group's turnover was earned in countries outside the United Kingdom, together with 73% of the volumes of meat delivered. Although these percentages remain significant they have declined since last year reflecting the increase achieved in sales and volumes in the UK during 2015 and the decline in the Sterling value of overseas sales.

This wide geographical spread increases the Group's resilience by minimising its reliance on the fortunes of any one individual economy, but makes its results reported in Sterling sensitive to changes in the value of Sterling as compared to the range of overseas currencies in which the Group trades.

During 2015 the average exchange rates for the various overseas currencies in which the Group trades have all depreciated significantly against Sterling, compared with the corresponding period in 2014, the Euro by 10.0%, the Danish Krone by 10.0%, the Polish Zloty by 10.0%, the Swedish Krona by 12.4% and the Australian Dollar by 10.2%.

Culture and people

To our mind successful businesses are principally about having the right people in the right positions at the right time working together as "one team", with local management teams empowered, encouraged and advised in specialist areas to enable them to support their local customers. The Group benefits from each of its businesses being part of a larger organisation, which enables them to share best practice solutions, including equipment selection, IT solutions and ways of working along with the collaborative sharing of new learnings, ideas and techniques.

We are committed to providing an inclusive working environment where everyone feels valued, respected and able to fulfil their potential. We recognise that people from different backgrounds, countries and experiences can bring benefits to our business. We fully recognise the benefits of gender diversity and details of the gender composition of our staff are set out in our Corporate and social responsibility report.

The Group currently employs 2,833 employees in six European countries. Our business model is largely decentralised, with capable, largely self-sufficient management teams running our businesses in each local country. We consider this devolved structure to be a critical success factor, as it achieves very close working relationships with our customers, who benefit from personal, dedicated, flexible and rapid local support.

The Board fully understands and appreciates just how much our progress relies on the effort, personal commitment, enthusiasm, enterprise and initiative of our employees. I would like to take this opportunity, on behalf of the Board, to personally thank all of them both for their dedicated efforts during 2015 and their continuing commitment to the Group's on-going growth and development.

Performance overview

Our business comprises three separate operating segments:

Western Europe

Operating profit of £32.1m (2014: £27.1m) on turnover of £1,020.7m (2014: £1,016.8m)

This operating segment covers the Group's businesses in the UK, Ireland, Holland, Sweden and Denmark. Volume growth of 5.1% was achieved in 2015, principally reflecting volume growth in the UK, Ireland and Holland, driven mainly by gaining an increased share of our customers' business in the UK, with the recently expanded meat processing capacity, and the introduction of new product lines in each country. Volumes in Denmark were reduced with consumer spending remaining under continuing pressure and in Sweden volumes remained relatively steady. Turnover grew by only 0.4%, but by 7.7% in constant currency terms. The redevelopment of the Huntingdon site was completed in 2015. This was a complex project involving the re-equipping and re-alignment of the site and the addition of a further production area whilst working around a live production environment with the highest customer service levels needing to be maintained throughout the process. The re-equipping of the Vasteras site in Sweden faced similar challenges. Both projects were executed successfully, with improved operational efficiencies being realised in addition to the capacity expansion. In the UK the operational efficiencies were realised somewhat earlier than predicted and with a lower level of start-up costs.

Central Europe

Operating profit of £2.3m (2014: £2.4m) on turnover of £74.1m (2014: £82.2m)

In Central Europe the Group's meat packing business, based at Tychy in Poland, supplies customers across Central Europe, from Hungary to the Baltics. This multi-customer business supplies Ahold stores in Czech Republic and Slovakia, Tesco stores in Hungary, Czech Republic, Poland and Slovakia and Rimi stores in Latvia, Lithuania and Estonia. Volumes increased by 7.8%, but in very competitive market conditions with consumer down-trading, unfavourable exchange rate movements of 10.0% and lower raw material prices, turnover decreased by 9.7%.

Central costs and other

Net operating cost £5.4m (2014: £3.4m)

This segment includes our share of the management fee earned by our joint venture with Woolworths of £1.2m (2014: £1.3m), start-up and support costs in connection with the joint venture of £1.2m (2014: £0.9m) and central costs of £5.4m (2014: £3.8m).

In Australia the Group is involved in a joint venture with Woolworths, under which it earns a fifty per cent share of the agreed management fees charged by the joint venture company to Woolworths for operating certain Woolworths' meat processing and packing plants, based on the volume of retail packed meat delivered to Woolworths' stores. The joint venture company is currently responsible for the operation of Woolworths' Western Australian meat processing centre in Bunbury, its Queensland meat processing centre in Brisbane and the new purpose built retail packing facility near Melbourne in Victoria which started production in September 2015. Start-up costs inevitably peak in the period immediately before a new production facility such as that in Melbourne comes on stream and then subsequently fall away.

Past and future trends

Over recent decades as major retail chains have progressively gained a greater share of the grocery markets in most countries, they have increasingly turned to large scale, centralised meat packing solutions capable of producing private label packed meat products more safely and cost effectively. In doing so, they have rationalised their supply base, achieving lower costs with higher food safety, food integrity, traceability and quality standards. This has allowed supermarket groups to focus on their core business and maximise their return on available retail space whilst addressing consumers' continuing requirement for quality and value.

Grocery retail markets are expected to remain extremely competitive, with continuing pressure on consumer expenditure. The trend towards increased use of centralised meat packing solutions is still continuing, however, albeit at different speeds across the world. This gives rise to a wide range of potential future geographical expansion opportunities for Hilton, but inevitably in a range of different timescales as markets develop and change over time.

Within retail markets patterns are continuing to change fairly rapidly, with increased internet based ordering and a growth in the number of "click and collect" facilities. Following pressures on consumer expenditure over a number of years there has been increased use by cost conscious consumers of local convenience stores and discount outlets, to shop more frequently for a reduced overall basket cost per visit and at a wider range of retail outlets. These developments which appear to be structural rather than cyclical will all tend to reinforce the overall trend towards retail packed meat, as this is the meat offering in all these growth areas.

Outlook and current trading

Hilton's medium term growth outlook remains encouraging following the successful completion of the UK capacity expansion and site redevelopment project in Huntingdon and the start of production with our Australian joint venture partner at Melbourne.

Notwithstanding competitive market conditions, overseas currency fluctuations and pressure on consumer expenditure Hilton is therefore confident of growing its business with continued focus on new product development and range extension.

In the early months of 2016 Hilton's operating performance has been in line with the Board's expectations. The Group will continue to explore further opportunities for geographical expansion in both domestic and overseas markets and is well placed to capture those opportunities as they arise.

Robert Watson OBE
Chief Executive
30 March 2016

> "A robust financial performance and a strong ungeared balance sheet for potential future expansion."

Nigel Majewski
Chief Financial Officer

Group performance
Hilton's financial performance was robust in 2015, despite material headwinds from adverse currency movements, with underlying operating profit 20.9% ahead of last year in constant currency terms. With investment expenditure returning to lower levels, continued strong cash flow generation resulted in a net cash position at the end of the year, compared with a net debt position at the end of 2014.This performance and financial review covers the main highlights of the Group's financial performance and position in 2015.

Basis of preparation
The Group is presenting its results for the 53 week period ended 3 January 2016, with comparative information for the 52 week period ended 28 December 2014. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2015 Financial performance
Revenue
Volumes grew overall by 5.5% (4.0% on a 52 week basis) with volume increases in the UK, Ireland, Holland and Central Europe, but lower volumes in Denmark. Further details of volume growth by business segment are set out in the Chief Executive's summary. Revenue fell by 0.4% (1.9% fall on a 52 week basis) to £1,094.8m, as compared to £1,099.0m in 2014, with unfavourable exchange rate movements more than offsetting the volume gains.

Operating profit and margin
Operating profit, at £29.0m was 11.3% (9.0% on a 52 week basis) above the previous year's level (2014: £26.1m) and 20.9% higher on a constant currency basis. The operating profit margin in 2015 was 2.6%, as compared with 2.4% in 2014, reflecting the higher operating profit level and the operating profit per kilogram of packed meat sold was 11.9p (11.3p in 2014).

Net finance costs
Net finance costs, at £1.1m, were slightly above the previous year's level (2014: £0.9m) with higher borrowings. Interest rates paid have remained at historically low levels, reflecting continuing low LIBOR and other interbank rates, which determine the interest rates on the Group's principal borrowings. Interest cover in 2015 remained high, but decreased marginally to 28 times, as compared with 30 times in 2014.

Taxation
The taxation charge for the period was £6.5m (2014: £5.6m). This represented an effective taxation rate of 23.2% compared with 22.4% last year, with a reduced proportion of profits being earned in the lower taxed regimes in which the Group operates.

Net income
Net income, representing profit for the year attributable to owners of the parent, at £20.0m (2014: £18.1m) was 10.8% (8.4% on a 52 week basis) higher than last year reflecting the increase in operating profit and 20.7% higher in constant currency terms.

Earnings per share
Basic earnings per share at 27.5p (2014: 25.0p) were 10.0% higher than last year (7.7% on a 52 week basis). Diluted earnings per share were 27.2p (2014: 24.7p).

Earnings before interest, taxation, depreciation and amortisation
EBITDA increased by 16.2% to £48.4m (2014: £41.7m) reflecting the increase in operating profit together with higher depreciation and amortisation charges.

Free cash flow
Cash flow remained strong in 2015, with the Group generating a £31.7m free cash inflow before dividends and financing (2014: free cash outflow £2.1m), after incurring capital expenditure of £13.7m. Group borrowings were £40.1m at the end of 2015 and, with net cash balances of £52.8m, this resulted in a closing net cash position of £12.7m, as compared with a net debt level of £7.7m at the end of 2014. At the end of 2015 the Group had undrawn overdraft and loan facilities of £28.3m (2014: £46.5m).

A strong ungeared balance sheet gives the Group considerable flexibility for potential future expansion.

Dividends
The Board aims to maintain a dividend policy that provides a dividend level that grows broadly in line with the underlying earnings of the Group and has recommended a final dividend of 1.3p per ordinary share in respect of 2015. This, together with the first interim dividend of 4.1p per ordinary share paid in November 2015 and the second interim dividend of 9.2p per ordinary share payable in April 2016, represents a 9.8% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 1 July 2016 to shareholders on the register on 3 June 2016 and the shares will be ex dividend on 2 June 2016.

£29.0m
operating profit

£31.7m
free cash flow

Key performance indicators

How we measure our performance against our strategic objectives

The Board monitors a range of financial and non-financial key performance indicators "KPIs" to measure the Group's performance over time in building shareholder value and achieving the Group's strategic priorities. The nine headline "KPI" metrics used by the Board for this purpose, together with our performance over the past two years, is set out below:

Financial KPIs*

(0.4)%

Revenue growth (%)
2014: (2.3)%

Definition, method of calculation and analysis
Year on year revenue growth expressed as a percentage. The 2015 decrease reflected volume growth of 5.5%, which was more than offset by the impact of unfavourable exchange translation rate movements.

2.6%

Operating profit margin (% turnover)
2014: 2.4%

Definition, method of calculation and analysis
Operating profit expressed as a percentage of turnover. The increase in 2015 reflected the increased operating profit level.

11.9p/kg

Operating profit margin (pence per kg)
2014: 11.3p/kg

Definition, method of calculation and analysis
Operating profit per kilogram sold.

£48.4m

EBITDA (£m)
2014: £41.7m

Definition, method of calculation and analysis
Operating profit before depreciation and amortisation. The increase reflected higher underlying operating profits, together with higher depreciation and amortisation charges following the high level of capital expenditure in 2014.

£31.7m

Free cash flow (£m)
2014: £(2.1)m

Definition, method of calculation and analysis
Cash inflow before minorities, dividends and financing. The improvement reflected growth in operating cash flows together with the reduction in capital expenditure.

n/a

Gearing ratio (%)
2014: 18%

Definition, method of calculation and analysis
Year end net debt as a percentage of EBITDA. The Group was ungeared at the end of 2015, with a net cash position.

Non-financial KPIs*

5.5%

Growth in volume of packed meat sales (%)
2014: 3.5%

Definition, method of calculation and analysis
Year on year volume growth, expressed as a percentage.

36.2p/kg

Employee and labour costs (pence per kilogram)
2014: 39.3p/kg

Definition, method of calculation and analysis
The decrease reflects efficiency gains, continuing low levels of wage inflation and exchange translation rate movements.

99.2%

Customer service level (%)
2014: 99.0%

Definition, method of calculation and analysis
Packs of meat delivered as a % of the orders placed. Little year on year change, with high service levels being maintained throughout the year.

In addition, a much wider range of financial and operating KPIs are continuously tracked at business unit level.

*2015: 53 weeks, 2014: 52 weeks.

Treasury management

Hilton does not engage in any speculative trading in financial instruments and transacts only in relation to its underlying business requirements. The Group's policy is designed to ensure adequate financial resources are made available as required for the continuing development and growth of its businesses, whilst taking practical steps to reduce exposures to foreign exchange, interest rate fluctuation, credit, pricing and liquidity risks, as described below:

Foreign exchange rate movements and country specific risks

Whilst the presentational currency of the Group is Sterling, most of its revenues are earned in other currencies, principally the Euro, Swedish Krona, Danish Krone and Australian Dollar. The earnings of the Group's overseas subsidiaries are translated into Sterling at the average exchange rates for the year and their assets and liabilities at the year end closing rates. Changes in relevant currency parities are monitored on a continuing basis, with the timing of the repatriation of overseas profits by dividend payments and the repayment of any intra-group loans to UK holding companies paying due regard to actual and forecast exchange rate movements.

The Group has to date decided not to hedge its foreign exchange rate exposures, but this policy is kept under continuing review and may be reappraised over time as the Group's geographic spread continues to widen. The Group's overseas subsidiaries all have natural hedges in place as they, for the most part, buy raw materials, employ people, source services, sell products and arrange funding in their local currencies. As a result the Group's exposure is in the main limited to its equity investment in each overseas subsidiary and its joint venture.

The level of country specific risk currently remains material for many businesses, in terms of the impact of macroeconomic developments, including the impact of austerity programmes and commodity price movements in some countries. The Group sells high quality basic food products, for which there will always be continuing demand, to successful blue chip multiple retailers in developed countries. Hilton has not to date been materially adversely affected by the lengthy recessionary environments seen in some countries, but will keep any future identified country specific risks under continuing review.

Interest rate fluctuation risk

This risk stems from the fact that the interest rates on the Group's borrowings are variable, being at set margins over LIBOR and other interbank rates which fluctuate over time. The Board's policy is to have an interest rate cap on a proportion of this borrowing. The Board will review hedging costs and options should the current low interest rate environment change materially.

Customer credit and pricing risks

As Hilton's customers comprise a small number of successful and credit worthy major multiple retailers, the level of credit risk is considered to be insignificant. Historically the incidence of bad debts has been immaterial. Hilton's pricing is based predominately either on cost plus agreements or agreed packing rates with its customers.

Liquidity risk

This has for many businesses represented an area of concern over recent years, given the continuing difficult and uncertain economic environment in some countries. Hilton Food Group remains strongly cash generative, has a robust balance sheet and has committed banking facilities for the medium term, sufficient to support its existing business. All bank positions are monitored on a daily basis and capital expenditure above set levels, together with decisions on intra-group dividends, are all approved at Board meetings. All long term debt is arranged centrally and is subject to Board approval.

Going concern statement

The Directors have performed a detailed assessment, including a review of the Group's budget for the 2016 financial year and its longer term plans, including consideration of the principal risks faced by the Company, as detailed on pages 22 and 23. Following this review, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis for preparing the financial statements.

The Group's bank borrowings are detailed in the financial statements and the principal banking facilities, which support the Group's existing and contracted new business, are committed, with no renewal required for three years. The Group is in full compliance with all its banking covenants. Future geographical expansion which is not yet contracted, and which is not built into our internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities, as and when they are required.

The Group's internal budgets and forward forecasts, which incorporate all reasonably foreseeable changes in trading performance, are regularly reviewed in detail by the Board and show that it will be able to operate within its current banking facilities, taking into account available cash balances, for the foreseeable future.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the three years ending in December 2018. A period of three years has been chosen for the purpose of this viability statement as it is aligned with the Group's three year plan, which is based on the Group's current customers and does not incorporate the benefits from any potential new contract gains over this period.

The Directors' assessment has been made with reference to the Group's current position and strategy taking into account the Group's principal risks and how these are managed, as detailed on pages 22 to 23. The strategy and associated principal risks, which the Directors review at least annually, are incorporated in the three year plan and such related scenario testing as is required. The three year plan makes reasoned assumptions in relation to volume growth based on the position of our customers and expected changes in the macroeconomic environment and retail market conditions, expected changes in raw material meat, packaging and other costs, together with the anticipated level of capital investment required to maintain our facilities at state of the art levels. The achievement of the three year plan is not dependant on any new or expanded financing facilities.

Forward looking statements

This Strategic report contains forward looking statements that are inevitably subject to risk factors associated with, amongst other things, economic, political and business developments which may occur from time to time across the countries in which the Group operates. It is believed that the expectations reflected in these statements are reasonable based on current knowledge, but all forward looking statements and forecasts are inherently predictive, speculative and involve risk and uncertainty, simply because they relate to events and depend on circumstances that will occur in the future.

Nigel Majewski
Chief Financial Officer
30 March 2016

Risk management and principal risks

Risks and risk management

In accordance with provision C.2.1 of the 2014 revision of the UK Corporate Governance Code the Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those which could threaten its business model, future performance, solvency or liquidity. As a leading food processor in a fast moving environment it is critical that the Group identifies, assesses and prioritises its risks. This, together with the adoption of appropriate mitigation actions, enables us to monitor, minimise and control both the probability and potential impact of these risks.

How we manage risk

Responsibility for risk management across the Group, including the appropriate identification of risks and the effective application of actions designed to mitigate those risks, resides with the Board which believes that a successful risk management framework carefully balances risk and reward, and applies reasoned judgement and consideration of potential likelihood and impact in determining its principal risks. The Group takes a proactive approach to risk management with well-developed structures and range of processes for identifying, assessing, prioritising and mitigating its key risks, as the delivery of our strategy depends on our ability to make sound risk informed decisions.

Risk management process and risk appetite

All types of risk applicable to the business are regularly reviewed and a formal risk assessment is carried out to highlight key risks to the business and to determine actions that can reasonably and cost effectively be taken to mitigate them. The Group's Risk Register is compiled through a combination of business unit risk registers and Board input. The Board believes that in carrying out the Group's businesses it is vital to strike the right balance between an appropriate and comprehensive control environment and encouraging the level of entrepreneurial freedom of action required to seek out and develop new business opportunities, but, however skilfully this balance between risk and reward is struck, the business will always be subject to a number of risks and uncertainties, as illustrated below.

Not all the risks listed below are within the Group's control and others may be unknown or currently considered immaterial, but could turn out to be material in the future. The risks set out in the following table, together with our risk mitigation strategies, should be considered in the context of the Group's risk management and internal control framework, details of which are set out in the Corporate governance statement. It must be recognised that systems of internal control are designed to manage rather than completely eliminate any identified risks.

The most significant risks the Group faces

The six most significant business risks that the Group faces, are, as might be expected with an unchanged and relatively straightforward business model, the same as in previous years. These risks, which will continue to affect the Group's businesses, together with the measures we have adopted to mitigate these risks, are outlined in the table below. This is not intended to constitute an exhaustive analysis of all risks faced by the Group, but rather to highlight those which are the most significant, as viewed from the standpoint of the Group as a whole.

Description of risk

The Group is dependent on a small number of customers who can exercise significant buying power and influence when it comes to contractual renewal terms at 5 to 10 year intervals.

Its potential impact

The Group has a relatively narrow, but expanding, customer base, with sales to subsidiary or associated companies of the Tesco and Ahold groups still comprising the larger part of Hilton's revenue in 2015. The larger retail chains have over many years increased their market share of meat products in many countries, as customers continue to move away from high street butchers towards one stop convenience shopping in supermarkets. This has increased the buying power of the Group's customers which in turn increases their negotiating power with the Group, which could enable them to seek better terms over time.

Risk mitigation measures and strategies adopted

The Group is progressively widening its customer base and its maintained high level of investment in state of the art facilities, which together with management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively. Hilton operates a decentralised, entrepreneurial business structure, which enables it to work very closely and flexibly with its retail partners in each country, in order to achieve high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety, product integrity and traceability assurance. Hilton has long term supply agreements in place with its major customers, with pricing either on a cost plus or agreed packing rate basis.

Description of risk

The Group's growth potential is dependent on the success of its customers and the growth of their packed meat sales.

Its potential impact

The Group's products carry the brand labels of the customer to whom packed meat is supplied and it is accordingly dependent on its customers' success in maintaining or improving consumer perception of their own brand names and packed meat offerings.

Risk mitigation measures and strategies adopted

The Group plays a very pro-active role in enhancing its customers' brand values, through providing high quality, competitively priced products, high service levels, continuing product and packaging innovation and category management support. It recognises that quality and traceability assurance are integral to its customers' brands and works closely with its customers to ensure rigorous quality assurance standards are met. It is continuously measured by its customers across a very wide range of parameters, including delivery time, product specification, product traceability and accuracy of documentation and targets demanding service levels across all these parameters. The Group works closely with its customers to identify continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage in the supply chain.

Description of risk

The progress of the Group's business is dependent on the macroeconomic environment and levels of consumer spending in the countries in which it operates.

Its potential impact

No business is immune to difficult economic climates and the consequent pressure on levels of consumer spending, such as those seen over recent years across Europe.

Risk mitigation measures and strategies adopted

With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made continued progress over recent difficult economic periods. It expects to be able to continue to make progress, even if the current pressures on consumer spending, as expected, persist in some countries.

Description of risk

The Group's business is reliant on a small number of key personnel and its ability to manage growth and change successfully.

Its potential impact

The Group is critically dependent on the skills and experience of a small number of senior managers and specialists and as the business develops and expands, the Group's success will inevitably depend on its ability to attract and retain the necessary calibre of personnel for key positions, both for managing and growing its existing businesses and setting up new ones.

Risk mitigation measures and strategies adopted

To continue to manage growth successfully, the Group will carefully manage its skill resources and continue to invest in on-the-job training and career development, together with the cost effective management of quality information and control systems, whilst recruiting high quality new employees, as required, to facilitate the Group's ongoing growth. The continuing growth of Hilton's business, together with its growing reputation, is facilitating the recruitment of more top class specialists with the key skill sets required both to support our existing individual country business units and manage the Group's future geographical expansion.

Description of risk

The Group's business is dependent on maintaining a wide and flexible global meat supply base operating at standards that can continuously achieve the specifications set by Hilton and its customers.

Its potential impact

The Group is reliant on its suppliers to provide sufficient volume of products, to the agreed specifications, in the very short lead times required by its customers, with efficient supply chain management being a key business attribute. The Group sources certain of its meat requirements globally. Tariffs, quotas or trade barriers imposed by countries where the Group procures meat, or which they may impose in the future, together with the progress of World Trade Organisation talks and other global trade developments, could materially affect the Group's international procurement ability but has not done so in recent years.

Risk mitigation measures and strategies adopted

The Group maintains a flexible global meat supply base, which is progressively widening as it expands and is continuously audited to ensure standards are maintained, so as to have in place a wide range of options should supply disruptions occur.

Description of risk

Outbreaks of disease and feed contamination affecting livestock and media concerns relating to these and instances of product adulteration can impact the Group's sales.

Its potential impact

Reports in the public domain concerning the risks of consuming meat can cause consumer demand for meat to drop significantly in the short to medium term. A food scare similar to the Bovine Spongiform Encephalopathy ("BSE") scare that took place in 1996 or the much more recent concerns with regard to meat substitution can affect public confidence in red meats.

Risk mitigation measures and strategies adopted

The Group sources its meat from a trusted raw material supply base, all components of which meet stringent national, international and customer standards. The Group is subject to demanding standards which are independently monitored in every country and reliable product traceability and high welfare standards from the farm to the consumer are integral to the Group's business model. The Group ensures full traceability from source to packed product across all suppliers.

Corporate and social responsibility report

Hilton Food Group recognises its social, ethical and environmental responsibilities arising from its operations and to the welfare of employees, customers, suppliers and the communities in which we operate. The Group is committed to working in an ethical, open and honest manner to produce products of the highest quality responsibly and sustainably. The philosophies which underpin our policies for the environment, regulatory compliance, health and safety, product quality and integrity and ethical conduct are summarised below.

Complete food assurance from farm to fork

It is essential that consumers have complete confidence in the meat products they purchase. Hilton has a pivotal role in managing a supply chain which starts on the farm. Oversight of farm and abattoir standards ensures that the meat products we produce are of the highest quality. We recognise that correct product label information is key to gaining consumer trust and that the label correctly describes the provenance of the meat including its species and country of origin.

Hilton strives, in partnership with our retail customers, to successfully deliver safe, consistently high quality, convenient and ready to use retail packs of beef, lamb, pork and added value meat products to ensure the highest level of consumer satisfaction. Our products are governed by EU legislation and food safety standards throughout the meat supply chain. Additionally our retail partners, who support the Global Food Safety Initiative, demand the best animal welfare standards, food factory standards and quality systems to enhance their levels of brand integrity.

A short and transparent supply chain with full traceability

Hilton is committed to ensuring that the supply chain in which we play a significant part is as short as possible. Farm reared animals are slaughtered at abattoirs from whom Hilton sources its meats and our food products are delivered directly to our retail customers for sale in their stores. Our quality systems provide full traceability of all the meat that we use.

Flexible local and global meat sourcing

As specialist retail meat packers, Hilton can source its primal meat requirements from the most advanced abattoir plants to exacting specifications, ensuring quality and cost effectiveness. Most of our meat is sourced locally within the EU and also from other regions such as New Zealand and South America.

Science and technology play a large part in the consistent achievement of meat quality and influence Hilton's procurement of meat from large and small suppliers. Together with our retail partners we ensure that consumers have the best choice and can select on the basis of provenance, quality and price.

Farm standards

Good quality meat can only be produced from animals reared and handled to the best animal welfare standards. Freedom from stress is a fundamental requirement not only for ethical and sustainable reasons, but also to achieve consistent meat quality for consumers. Farmers design animal nutrition plans to achieve efficient weight gain and meet consumer preferences on flavour and fat content. It is recognised that the cleanliness of animals presented for slaughter has a direct impact on the reduction of pathogen risks associated with fresh meat.

Abattoir standards

Abattoir standards contribute significantly to the achievement of consistent meat quality and Hilton works closely with our retail partners to set best in class specifications ensuring humane and effective stunning and control of microbial contamination. Also pH and temperature drop is controlled according to best scientific practice. Meat is matured and boned according to clear and enforced primal specifications that are agreed between Hilton, its retail customers and abattoir suppliers. Hilton develops long term trading partnerships with our suppliers by facilitating achievement of our retail customer requirements through auditing by third party experts and development of sustainable corrective action plans where any non-conformances are identified. We support our suppliers in applying abattoir standards covering factory structure, animal welfare standards, control of contamination through cleaning and disinfection, temperature controls, carcass dressing, boning and packing standards and traceability. Auditing as a means of challenging standards is now expected by consumers together with well established procedures throughout the food chain.

Hilton continually develops and refines testing methods, data collection and reporting particularly in the key area of fresh meat. Samples collected from each delivery are assessed for compliance to microbiological standards and compliance to agreed quality specifications including increasing use of DNA testing. Results are used to assess the performance of suppliers and achieve continuous improvement.

Retail packing at Hilton

The key factors in ensuring that our retail partners receive products that consistently achieve agreed shelf lives and meet customer expectations are top quality meat from our suppliers, temperature control and high class standards of hygiene. We are proud of our modern specialised meat processing and packing facilities which use state of the art production equipment, including a high degree of automation and use of robotic equipment which minimises handling.

Our well trained production operatives are responsible for the quality of Hilton's retail partners' products and they are supported by highly qualified and experienced quality assurance and technical teams at each site. Hilton maintains annual third party accreditation through FSSC (Food Safety System Certification) using ISO 22000 and ISO/TS 22002-1 or the latest BRC (British Retail Consortium) Global Standard for Food Safety and we constantly challenge ourselves through cross auditing of hygiene and quality system standards by technical and quality managers from other Hilton sites and additionally our retail customer make frequent visits to our sites, some of which are unannounced. This level of attention is a valuable part of our partnership with our retail customers and gives consumers confidence that Hilton can consistently meet their expectations.

Temperature control throughout our storage and production departments is fundamental to the quality of our products and this is centrally controlled with alarm alerts if there is any deviation from specified temperature requirements.

Specialised highly trained hygiene teams deep clean our factories every day using the latest technology and these clearly specified procedures are verified using not only trained auditors but also the latest monitoring equipment. All staff and visitors can only enter Hilton production facilities wearing specified personal protective clothing and by passing through barrier protected hand washing and sanitising facilities. The effectiveness of these entrance procedures is routinely verified using hand swabbing checks.

Graduate recruitment is fundamental to Hilton's future. Our training programme includes completion of a Masters Degree in Food Science following which our trained graduates are placed into key management roles. We maintain strong links with academia and technological advances including Campden BRI, Danish Meat Research Institute, British Meat Processors Association and Teagasc Ireland and through attendance at the annual International Conference of Meat Science and Technology.

Partnerships for growth

We forge partnerships across all aspects of our supply chain to enable us to strengthen our position as one of the leading global Business to Business food companies. Our core competency has always been building strong and productive partnerships with our retail customers in each geographical zone we are active in to supply high quality products at the right price to meet their demands. However, in an ever-changing business environment, the requirements of a true partnership go beyond the supply and demand approach. Our focus is to provide a unique, unrivalled service to our customers to support their market growth aspirations. We work closely with each of our customers to identify, both global and local, market trends which will help us create the next generation of products that will meet the everyday needs of their consumers. We have recently established two culinary innovation centres fully equipped with state of the art culinary equipment and staffed by some of the leading industry chefs and food technologists. The ambience of our culinary innovation centres has been designed to create an open and stimulating environment in which creativity can flourish.

There is nothing like good food to bring people together. So it is in our culinary innovation centres that we discuss and share concepts with our customers. Cooking, tasting and then making those all-important final tweaks to create the perfect concept. Our skilled chefs and technologists then set to work on the scale-up process taking the concepts from the kitchen pan to industrial products that can be consistently produced, on an industrial scale, maintaining organoleptic quality, product integrity and operational efficiency throughout the supply chain to meet all of our customers' expectations. With these facilities we deliver exciting, innovative and delicious product range extensions, seasonal product ranges and market leading innovative new products.

We also recognise that, in the culinary sense, the world is getting smaller. Through increased travel, celebrity chefs, the internet, etc. the everyday consumers have an insatiable appetite for novel, out-of-the-box culinary experiences. Whether they are from traditional local cuisine or exotic fusions of flavour where the dynamic European cuisine meets the spicy, exotic and mouth-watering cuisines of Asia. Rather than develop and maintain this very specific flavour expertise in-house we are establishing partnerships with key suppliers whose core capability is the development of innovative ingredients. By working closely in partnership with our suppliers we can combine our extensive, in-depth understanding of food production on an industrial scale with their expertise to develop a delicious portfolio of innovative products designed to match consumer expectations.

In parallel to our ingredient partnerships we also realise the value of building stronger alliances with key suppliers of the processing equipment that is required to deliver the large volumes of products that leave our manufacturing sites every day. Technology is changing at an ever increasing rate across the food industry resulting in new and exciting equipment entering the market which can improve the efficiency of operations and deliver new and innovative products whilst continuing to enhance the stability and security of the products offered to the consumer.

Rather than waiting for new technologies to arrive on the market we are working in close partnership with key equipment suppliers to develop equipment that specifically meets the needs of our operations. To facilitate this we are creating a number of product focused centres of excellence which are the custodians of our internal technology know-how where we focus development programmes carried out in conjunction with our key partners. As well as being technology custodians the centres of excellence are responsible for the rapid roll out of successful innovations and developments across our businesses to ensure we consistently deliver operational excellence at each of our manufacturing sites.

Hilton is also closely aligned with our customers in our desire to minimise the environmental impact of our operations. We are therefore developing partnerships with our key suppliers of packaging materials as part of our sustainability agenda. On average over 1.25 million plastic trays leave our sites every day and we are conscious of the potential impact this may have on the environment. We are therefore working with our key suppliers in three work streams. Firstly we are striving to maximise the use of recyclable trays across the Group and to date we have currently moved 16% of our production to recyclable trays. The second work stream is focusing on the use of re-cycled plastic in our product trays which results in significantly lower energy consumption in their manufacture. Finally we are continuously setting the industry standard for lighter product trays which therefore require less plastic. These are jointly developed and tested with our key suppliers to ensure that although lighter they are still robust enough to maintain the required functionality and stability attributes.

Awards and innovation

Hilton takes great pride in its products and we are delighted when the quality and innovation of these products is recognised. During 2015 we received a number of national food and taste awards. New products launched included a habanero 3 chilli burger, smoked garlic & basil and paprika & honey sausages and a sous vide range as well as cook in the bag packaging and gluten free products.

Environment

The Group takes all practicable steps to manage carefully its impact on the natural environment. Improvements to our environmental performance can make a difference to society and we are committed to assessing the impacts of our operations on land, water, air and biodiversity, and to managing our waste, in all its forms, by reusing or recycling it, where practicable.

In the context of the total carbon footprint of retail packed meat the proportion which can be influenced by Group's packing activity is very small indeed as the Group is not involved in the breeding, growing and slaughtering of animals and the packaging formats used for its products are selected by our customers. The Group is nevertheless committed, working closely with its customers, to minimising its environmental impact.

Regulatory compliance

The Group is in full compliance with all environmental regulations, permits and consent limits which apply to each of its packing plants in each country of operation and views such compliance as a high priority, looking to make continuing improvements with respect to the environment in all its operations whilst ensuring that we manage our environmental performance in accordance with evolving legal and regulatory requirements and international standards.

Carbon footprint and greenhouse gases

The Group has complied with all the mandatory reporting requirements under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Group's scope 1 and scope 2 carbon footprint has been calculated using data gathered through standardised reporting channels and Defra conversion factors. An appropriate ratio to express the Group's annual emissions in relation to its activities by way of product volumes produced is given below.

	Tonnes of CO_2e	
	2015	2014
Scope 1	4,100	7,977
Scope 2	21,392	21,187
Total	25,492	29,164

	Tonnes of CO_2e per tonne of product
2015	0.11
2014	0.13
2013	0.13

Energy usage

Our processing and packing operations consume electricity, gas, water and industrial gases at all our sites and our management teams work to identify areas for further efficiency gains in terms of energy usage. The Group invests heavily in maintaining state of the art high speed packing facilities which progressively reduce energy costs per unit packed. Over time the development of packing technology means that any given volume of meat can be packed with fewer high speed lines. Performance on water usage is shown below:

	Cm^3 of water use per tonne of product
2015	1.40
2014	1.46
2013	2.04

Waste and packaging

It is estimated that 15 million tonnes of food is wasted each year in the UK of which 9 million tonnes is avoidable and we agree this is economically, socially and environmentally unacceptable. Although Hilton's meat products are perishable having limited shelf life we continuously strive, working with our retail partners to ensure that waste is minimised and products are available for purchase and consumption for as long as possible before the end of their shelf life.

A degree of wastage is unavoidable in our businesses, as we have to ensure that our products continually meet stringent standards for quality and presentation. We work actively to reduce our usage of materials and the reduction of product and packaging waste has a very high priority across the Group. The yield losses incurred in processing and packing meat and packaging wastage are continuously monitored throughout each day across the entire product range, at every Hilton site. Performance on meat yields, being the percentage by which the weight of meat purchased as raw material compares with that incorporated in finished packed meat products, is minimised by, where possible, using off-cuts in mince, burgers and other part processed meat products and by ensuring that meat purchased meets tight specifications.

Through the extensive use of state of the art packaging technology our products benefit from an extended shelf life thereby reducing food waste. This benefit offsets the environmental impact of the packaging materials and energy used in its manufacture. Hilton is committed with its retail partners to adopt best practices in reducing packaging through use of lightweight and recyclable materials from sustainable sources.

Workplace

Health and safety

One of Hilton's top priorities is to achieve continual improvements in health and safety. The Group requires all its subsidiaries to achieve high health and safety standards within their individual operations. All subsidiaries conduct regular formal health and safety reviews. Managers and employees review policies, processes and procedures in order to ensure that risks are properly assessed, with appropriate actions taken in order to protect the safety of employees. At Board level Philip Heffer, Chief Operating Officer, has been assigned responsibility for health and safety and environmental matters across the Group's operational sites.

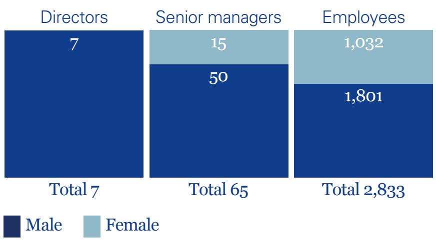
We monitor and review all incidents and accidents in the workplace so that we can take appropriate action to improve working conditions whilst remaining focused on reducing both the absolute number of accidents and the number of serious accidents. Formal reporting procedures are in place at every site so that the Group can monitor safety performance at a local level. There is a full time safety officer at each site who monitors the key measures for safety performance which include the number of serious and non-serious accidents and the number of working days lost through injury, together with short and long term sickness levels, key statistics in relation to which for 2015 are shown as follows:

	Average number of employees	Serious accidents	Recorded accidents per 100,000 hours worked	Sickness rate (%)
2015	2,912	36	5.2	3.5%
2014	2,447	33	5.2	4.5%
2013	2,243	32	6.4	4.9%

Our people

We recognise that driving our future growth and development will continue to depend on our ability to attract, grow, train and retain the very best managers and staff and to build progressively stronger teams at each location. We believe that a key to our future success lies in the promotion of properly trained, knowledgeable and capable management from within our organisation together with the ongoing motivation of our teams in each country.

The Group provides equal opportunity for employment, training and career development and promotion regardless of age, sex, colour, race, religion, ethnic origin or other minority groupings. The Group encourages the employment of disabled people when suitable vacancies are available and wherever possible retrains employees who become disabled to enable them to do work consistent with their aptitudes and abilities. Where practicable a flexible approach is adopted to assist employees to manage a successful work life balance.



Hilton operates to high standards of employment practice with policies to ensure that training, career development and promotion opportunities are available to all employees. The Group's recruitment practices involve, where possible, internal promotions. Where there is not a suitable internal candidate, selection of suitable individuals for vacant positions is made using a combination of industry knowledge and contacts and the use of external recruitment agencies. All new senior employees including Directors are given tailored induction programmes. The Group's succession planning is designed to highlight any forthcoming vacancies well in advance. Employees are able to participate directly in the success of the business by contributing to the Group's Sharesave scheme.

The Group has ethnically diverse workforces who at each location receive the same terms and conditions for comparable jobs. Given the geographical spread of the Group's operations it is both inappropriate and impractical to apply standard employee consultation and communication procedures across the Group. Each subsidiary is accordingly responsible for achieving and maintaining appropriate consultation and communication with its employees which include at all production sites joint management and employee committee meetings on health and safety and meetings with employees and union representatives to discuss issues affecting them.

The Group, in common with most commercial undertakings, employs external consultants, but, as their services could be contracted for with other similar parties, there are, in the opinion of the Board, no persons with contractual or other arrangements with the Group which are essential to its businesses.

Trading relationships with partners and suppliers

Strong and fair long term relationships with partners and suppliers are very important for Hilton. The Group's approach to corporate social responsibility is reflected in the way we behave with our suppliers which is open, consistent and honest. In the UK the Group follows the Better Payment Practice Code which requires a company to agree the terms of payment with its suppliers, to ensure its suppliers are aware of those terms and to abide by them. The Group policy is also to apply the requirements of the Code in each of its subsidiaries.

Ethical standards

Hilton is committed to integrity. Ethical standards are very important in relation to the way we conduct our businesses and all the Group's employees are expected to behave ethically in their work and adhere to the Group's ethical standards. As an international group of companies we are fully aware of the broad spread of our responsibilities in all the countries in which we operate from protecting the environment to safeguarding the health and safety of our employees, respecting human rights, ensuring honesty, integrity and fairness in all our business dealings and operating our businesses in a safe and responsible manner.

A whistle-blowing policy is in place in accordance with which staff can in confidence raise any concerns about any actual or potential improprieties in relation to matters of financial reporting or any other aspect of the Group's businesses. The Group has also implemented an anti-bribery and anti-corruption policy to comply with the Bribery Act 2010.

Community

Supporting our local communities

Hilton's policy is to recruit locally based employees wherever possible in order to benefit the communities within which our plants are located. Hilton aims to play a positive role in all the communities in which it operates and we encourage employees to become involved with and support the local communities around our sites. We recognise the social impacts of our business and believe in consultation with local communities about our activities and about the safety and environmental impact of our operations.

During 2015, Hilton made charitable donations amounting to £35,000 (2014: £30,000) comprising small but regular donations made to local institutions and sponsorship of personal charitable initiatives and cultural events.

The Group seeks to be a good neighbour in all its locations. We are committed to social responsibility and believe that the success of our businesses will reflect the quality of the relationships we build with our communities and legitimate public interest groups.

Approval of Strategic report

Strategic report

Pages 6 to 28 of this Annual report comprises a Strategic report which has been drawn up and presented in accordance with applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic report has been prepared for the Group as a whole, and therefore gives greater emphasis to the Company and its subsidiaries when viewed as a composite whole.

Approved by order of the Board of Directors

Neil George
Company Secretary
30 March 2016

Governance

Board of Directors

Executive Directors

Robert Watson OBE
Chief Executive
Robert joined Hilton as Chief Executive in 2002 and has overseen the successful growth of the Group to date. Prior to this, he worked for the Foyle Food Group, based in Northern Ireland of which he was a founder in 1977. Robert was previously a board member of the Livestock Meat Commission and Food For Britain.

Nigel Majewski
Chief Financial Officer
Nigel was appointed CFO of Hilton in 2006 following 11 years in senior finance roles with PepsiCo. Prior to that Nigel gained extensive meat industry experience in senior finance roles with Bernard Matthews plc and has also worked for Royal Dutch Shell and Whitbread. He is a qualified Chartered Accountant and has a first class honours degree in accountancy. Nigel is Chairman of the Risk Management Committee.

Philip Heffer
Chief Operating Officer
Philip joined the Hilton Food Group at its inception in 1994, as Managing Director of the Group's UK subsidiary Hilton Foods UK Limited. In his current role he is responsible for Hilton's business with its major customers in the UK, Ireland, Continental Europe and Australia. Prior to this, Philip held senior positions within the RWM Food Group. He attended Smithfield College and became an associate member of the Institute of Meat in 1984.

Theo Bergman
Executive Director
Theo joined Hilton in 2000 as Managing Director of the Group's Dutch facility, Hilton Meats Zaandam and in 2003, he was appointed to the Group's Executive Board as European operations director responsible for the start up of operations in Europe and the relationship with Ahold. His current role is to oversee various special projects. Prior to joining Hilton, Theo held senior logistics and general management positions with Ahold between 1987 and 2000.

Non-Executive Directors

Sir David Naish DL
Non-Executive Chairman

Sir David joined the Hilton Food Group in 2007 as a Non-Executive Director after retiring from the Chairmanship of Arla Foods UK plc and was elected Chairman in 2010. He is a past President of the National Farmers Union and is currently Chairman of his family farming business as well as a Director of Wilson Insurance Broking Group Limited and Caunton Engineering Limited and is also a Non-Executive Director of Produce Investments plc. Sir David is Chairman of the Nomination Committee.

Colin Smith OBE
Non-Executive Director

Colin joined the Hilton Food Group in 2010 as a Non-Executive Director and has extensive experience in the food and distribution industry. A Chartered Accountant, he was at Safeway plc for 20 years in senior finance roles including Finance Director and for the last six years as Chief Executive. Colin has held a number of board and advisory roles in the industry including the Chairmanship of Assured Food Standards and board advisor to Natures Way Foods. He was previously a Non-Executive Director of McBride plc and Chairman of Poundland Holdings Limited for 10 years until 2012 and thereafter a Non-Executive Director for a further two years before retiring in 2014. He is currently Chairman of the social enterprise The Challenge Network. Colin is Chairman of the Audit Committee and is the Senior Independent Director.

John Worby
Non-Executive Director appointed 22 March 2016

John Worby is a Chartered Accountant with a wealth of experience in public companies and the food sector. He was Group Finance Director at Genus plc retiring in 2013 and previously was Group Finance Director and Deputy Chairman of Uniq plc. John currently holds Non-Executive Directorships at Fidessa Group plc and Carr's Group plc and formerly was a Non-Executive Director at Cranswick plc and Connect Group plc. John is also a member of the Financial Reporting Review Panel.

Christine Cross
Non-Executive Director appointed 22 March 2016

Christine Cross was originally a food scientist before devoting the 14 years to 2003 with Tesco in senior roles focusing on own brand, non-food and global sourcing. She has since worked globally with a wide range of food and non-food retailing businesses and currently holds Non-Executive Directorships with Sonae SGPS SA (Portugal), Brambles Limited (Australia), Kathmandu Holdings Limited (New Zealand) and several private companies as well as numerous advisory roles. Former Non-Executive Director positions were held until recently with Next plc and Woolworths Limited (Australia). Christine is Chair of the Remuneration Committee.

Chris Marsh
Non-Executive Director until his retirement on 27 March 2016

Chris joined the Hilton Food Group in 2007 as a Non-Executive Director. Chris is a corporate broker by background, he joined Phillips and Drew in 1968 and headed the Small Cap Corporate broking team at UBS from 1993 until his retirement in 1998. From 1999 to 2004 he was a member of a small corporate finance advisory team at the Benfield Group. Chris is currently Non-Executive Chairman of Webb Capital plc and formerly of Downing Income VCT plc. Chris was the Senior Independent Director and Chairman of the Remuneration Committee.

Sir David Naish, Colin Smith, John Worby, Christine Cross and Chris Marsh are all members of the Remuneration, Audit and Nomination Committees.

Colin Smith, John Worby, Christine Cross and Chris Marsh are considered to be independent.

Directors' report

The Directors present their report together with the audited financial statements for the 53 weeks ended 3 January 2016. Reference to other relevant information incorporated into this report is below.

Strategic report

The Strategic report on pages 6 to 28 sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group. The Group's financial instruments risk management objectives and policy are discussed in the treasury risk management policies section of the Performance and financial review on page 16.

This Strategic report also includes the Corporate and social responsibility report on pages 24 to 28 which contains details of the Group's employment practices and greenhouse gas emissions.

Corporate governance and other statutory disclosures

The Corporate governance statement, Board Committee reports and Directors' remuneration report on pages 36 to 52 includes information required by DTR 7.2.

There are no disclosures required to be made under LR 9.8.4.

Principal activities

The Group's activities comprise specialist retail meat packing for international food retailers.

Results and dividends

The profit before income tax is £28.0m (2014: £25.2m).

A first interim dividend of 4.1p per ordinary share was paid in November 2015 and a second interim dividend of 9.2p will be paid on 1 April 2016. The Directors recommend the payment of a final dividend for the period which, together with the second interim dividend, is not reflected in these accounts, of 1.3p per ordinary share totalling £0.95m, which, together with the two interim dividends, represents 14.6p per ordinary share for the year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 1 July 2016 to members on the register at the close of business on 3 June 2016. Shares will be ex dividend on 2 June 2016.

Directors and their interests

The Directors of the Company in office throughout 2015, together with their biographical details, are as set out on pages 32 and 33. All the Directors served for the whole of the year under review unless stated. Chris Marsh retired on 27 March 2016 and John Worby and Christine Cross were appointed on 22 March 2016. Details of Directors' interests in shares are provided in the Directors' remuneration report on page 50.

Directors are subject to reappointment at the Company's AGM following the year in which they are appointed. In accordance with the Company's Articles of Association one third of the Board is subject to re-election at each AGM. Accordingly, John Worby and Christine Cross who were appointed recently together with Robert Watson retire in accordance with the Articles of Association at the forthcoming Annual General Meeting and, being eligible, each offers him or herself for re-election.

Substantial shareholdings

As at the date of this report, the Company is aware or has been notified of the following interests of 3% or more of the voting rights of the Company:

	Number of ordinary shares	Percentage of issued share capital	Nature of holding
Aberforth Partners	8,624,482	11.80%	Indirect
Fidelity Mgt & Research	7,087,473	9.70%	Indirect
AXA Investment Mgrs	5,186,046	7.09%	Indirect
G. Heffer	4,174,500	5.71%	Direct
R. Heffer	4,174,500	5.71%	Direct
Montenaro Asset Mgt	2,434,496	3.33%	Indirect

Additionally Directors' interests in shares total 10.49% and details are given on page 50.

Political donations

No donations for political purposes were made during the year (2014: £nil).

Share capital and control

The following information is given pursuant to Section 992 of the Companies Act 2006:

– the Company has one class of share being ordinary shares of 10p each which have no special rights. The holders of ordinary shares rank equally and are entitled to receive dividends and return of capital as declared and to vote at general meetings. With minor exceptions, there are no restrictions on transfers of ordinary shares.

– there are no restrictions on voting rights of ordinary shares.

– rights over ordinary shares issued under employee share schemes are exercisable directly by the employees. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of its shares or on voting rights.

– the Company may appoint or remove a Director by an ordinary resolution of the shareholders. Additionally the Board may appoint a Director who must retire from office at the following Annual General Meeting and if eligible then stand for re-election.

– the Company's Articles may be amended by a special resolution of the shareholders.

– the Directors have general powers to manage the business and affairs of the Company. Additionally the following specific authorities were passed as resolutions at the Company's Annual General Meeting held on 12 May 2015:

  – Directors have authority to purchase up to 10% of its own shares subject to certain conditions.

  – Directors have authority, within limits, to exercise the powers of the Company to allot shares and limited authority to disapply shareholder pre-emption rights.

  Both these authorities expire on the earlier of the date of the next Annual General Meeting or 12 August 2016.

– the Company has significant long term supply agreements with customers which the customer may terminate in the event that ownership of the Company, following a takeover, passes to a third party which is not reasonably acceptable to that customer. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 32 and 33. Having made enquiries of fellow Directors and the Company's auditors, each of these Directors confirm that:

– to the best of each Director's knowledge and belief, there is no information relevant to the audit of which the Company's auditors are unaware; and

– each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Annual General Meeting

The Notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Annual report and financial statements, and can also be found on the Company's website at www.hiltonfoodgroupplc.com/investors/agm.

By order of the Board

Neil George
Company Secretary
30 March 2016

Corporate governance statement

The UK Corporate Governance Code

The Board has prepared this report with reference to the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014 which applies to accounting periods beginning on or after 1 October 2014. The provisions of this Code can be obtained from www.frc.org.uk/corporate/ukcgcode.cfm.

This statement including the Board Committee reports and the Directors' remuneration report on pages 39 to 52 detail how the Board applies the principles of good governance and best practice as set out in this UK Corporate Governance Code.

The Directors consider that the Company has during 2015 complied with the ten requirements of this Code, taking into account the provisions for smaller companies.

The Board

Membership

At the date of this report the Board consists of four Executive Directors and four Non-Executive Directors whose names, responsibilities, brief biographies and membership of Board Committees are set out on pages 32 and 33. The Directors bring strong judgement and expertise to the Board's deliberations and the Board is of sufficient size and diversity to achieve the balance of skills and experience appropriate for the requirements of the business.

Non-Executive Directors

The Non-Executive Directors include the Non-Executive Chairman and the Senior Independent Director. With the exception of the Non-Executive Chairman, who is presumed under the Code not to be independent following his appointment, the Board considers the Non-Executive Directors to be independent. The Non-Executive Directors do not participate in any of the Group's pension arrangements or in any of the Group's bonus or share option schemes. There is a clear written division of responsibilities between the Non-Executive Chairman and the Chief Executive which has been agreed by the Board.

The Non-Executive Directors met once during the year to scrutinise the performance of the Executive management. A further meeting was held without the Non-Executive Chairman present to assess his performance.

Senior Independent Director

Colin Smith, the Senior Independent Director, is available to shareholders as an alternative to the Non-Executive Chairman, Chief Executive and Finance Director. He ensures that he is available to meet shareholders, as required, and reports any relevant findings to the Board.

Rotation of Directors

The Company's Articles of Association provide that one third of the Directors retire by rotation at each Annual General Meeting and that all new Directors are subject to re-appointment by shareholders at the first opportunity following their appointment. Accordingly, John Worby and Christine Cross who were appointed recently together with Robert Watson retire in accordance with the Articles of Association at the forthcoming Annual General Meeting and, being eligible, each offers him or herself for re-election.

Directors' conflicts of interest

Under the Companies Act 2006, the Group's Directors have an obligation to avoid any situation where they have a conflict of interests. The Group has in place procedures that require all Directors to notify the Group of any conflicts of interest and, for any such conflicts of interest to be authorised by non-interested Directors, provided the Company's Articles allow for this. During the current financial year the Group were not advised of nor did the Group identify any such conflicts of interest.

Information and support provided to Board members

Members of the Board and its Committees are given appropriate documentation in advance of each Board and Committee meeting. For regular Board meetings these include a detailed period report on current and forecast trading, with comparisons against both budget and prior years. For all meetings appropriate explanatory papers are circulated well in advance on matters which the Board or Committee will be required to approve or provide responses.

The Board operates both formally through Board and Committee meetings and informally through regular contact between Directors. To assist them in carrying out their responsibilities the Directors have, in addition to full and timely access to all relevant information from management in advance of Board meetings, the right to obtain independent professional advice at the Company's expense and the advice and services of the Company Secretary to enable them to perform their duties as Directors. The Company Secretary is responsible to the Board, through the Chairman, for all governance matters. The appointment and removal of the Company Secretary is determined by the Board as a whole.

Board responsibilities

The Board is collectively responsible for promoting the success of the Group, within a framework of prudent and effective controls that enable risk to be assessed and appropriately managed. It is responsible for setting and approving the strategy and key policies of the Group and monitoring the progress towards achieving these objectives. The Board aims to enhance shareholder value by providing entrepreneurial leadership for the Group, whilst simultaneously ensuring the appropriate framework of checks and balances are maintained in place.

The Board has specific powers reserved to it contained in a schedule of matters reserved for decision by the Board which include:

- acquisitions and disposals;
- major trading agreements;
- major capital expenditure projects;
- dividends;
- treasury and risk management policies;
- approval of budgets, half yearly and annual accounts and interim management statements; and
- the giving of any guarantees or letters of comfort.

The Board meets not less than eight times a year to direct and control the strategy and operating performance of the Group. The Board also has responsibility for setting policy and monitoring from time to time such matters as financial and risk control, health and safety policy, environmental issues and management succession and planning. The Board has delegated to the Chief Executive and the Executive Directors responsibility for the execution of the agreed strategy and budget and the day-to-day management of the Group's operations. Day-to-day decisions in relation to procurement and supply chain management, factory operations and customer liaison are delegated to the senior management teams at each operational site.

Board Committees

The Board has delegated certain responsibilities to the following Board Committees:

- Nomination Committee;
- Audit Committee;
- Remuneration Committee; and
- Risk Management Committee.

Each Board Committee operates under clearly defined terms of reference and report regularly to the Board. These terms of reference are reviewed on a regular basis with any revisions proposed to the Board for its approval. The Board ensures that each Committee has sufficient resources to undertake their duties including access to the Company Secretary and external advisors as appropriate.

Reports for each Board Committee are included on pages 39 to 52.

Attendance at Board meetings

The following table sets out the Board meeting attendance by Board members, including the maximum number of meetings which could have been attended. Attendance at Board Committee meetings is set out in each Committee report.

	Number of meetings	Number attended
Robert Watson	10	10
Philip Heffer	10	10
Theo Bergman	10	7
Nigel Majewski	10	10
Sir David Naish	10	10
Chris Marsh	10	10
Colin Smith	10	9

Performance evaluation

The Non-Executive Chairman leads a formal annual performance evaluation of the Board and its standing Committees and meets with the Non-Executive Directors at least once a year to convey his conclusions. During 2015 an internal evaluation process involved each Director completing a detailed written questionnaire including the opportunity to comment on any issue not directly covered by the questionnaire. The responses were analysed and considered by the Board who have concluded that the Directors, the Board and its standing Committees continue to perform effectively. The Non-Executive Directors met once during the year without the Non-Executive Chairman present in order to evaluate his performance. An external evaluation process was last conducted in 2011/12.

Shareholder communications

The Board promotes open communication with shareholders. The Chief Executive and Chief Financial Officer meet regularly and have dialogue with institutional shareholders both to discuss the Group's performance and prospects and to develop an understanding of their views which are relayed back to the Board. The Board's current assessment of the Group's position and prospects are set out in the Strategic report on pages 6 to 28. Twice a year general presentations are given to analysts covering the annual and half year results and other reports and forecasts, together with relevant articles in the financial press, are circulated to the Board.

The other Executive Directors are available to meet the Company's major shareholders if required and the Senior Independent Director is available to listen to the views of shareholders, should they have concerns which have not been previously resolved or which it was inappropriate to voice at prior meetings. All shareholders have the opportunity to ask questions at the Company's Annual General Meeting, which all Directors and the Chairmen of every Board Committee attend. In addition the Group's website containing published information and press releases can be found at www.hiltonfoodgroupplc.com.

Risk management and internal control

The Board of Directors has overall responsibility for the Group's systems of internal control including financial, operational and compliance controls and risk management which operate to safeguard the shareholders' investments and the Group's assets and for reviewing their continuing effectiveness. Such an internal control system can only provide reasonable and not absolute assurance against material misstatement or loss as it is designed to manage rather than eliminate risk and failure to meet business objectives.

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity which is summarised in the Risk management section on pages 22 to 23.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure is designed to plan, execute, monitor and control the Group's objectives effectively and ensure internal control becomes integral to all the Group's operations. The Board confirms that the Group's internal risk based control systems have been fully operative up to the date of the Annual report being approved, key ongoing processes and features of which are set out below:

- appropriate mechanisms to identify and evaluate business risk;
- a Group internal audit function which is involved in the review and testing of the internal control systems and of key risks across the Group in accordance with an annual programme agreed with the Audit Committee;
- a strong control environment;
- an information and communication process; and
- a monitoring system and regular Board reviews for effectiveness.

The Group's planning and financial reporting procedures include detailed budgets and a three year strategic plan which are approved by the Board. Periodic management accounts report performance compared to the budget and additionally forecasts are updated through the year. These management accounts together with half-yearly and annual accounts produced by the Group's subsidiary companies are reviewed together with the methodology used for consolidating these into the periodical, half-yearly and annual accounts. All financial information published by the Group is approved by the Board and Audit Committee.

The Chief Financial Officer and Group Financial Controller are responsible for overseeing the Group's internal controls. The management of the Group's businesses have identified the key business risks within their operations, considered their financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Board has reviewed a summary of these findings and this, together with its direct involvement in the strategies of the business, investment appraisal and budgeting processes, has enabled the Board to report on the effectiveness of the Group's internal control systems.

By order of the Board

Neil George
Company Secretary
30 March 2016

Report of the Audit Committee

Chairman's introduction
I am pleased to report on the activities of the Audit Committee for the 53 weeks ended 3 January 2016.

Role of the Committee
The Audit Committee is established by the Board of Directors. Terms of reference formalise the roles, tasks and responsibilities of the Committee to comply with the UK Corporate Governance Code and to achieve best practice. The Committee terms of reference are available and can be found on the Company's website at www.hiltonfoodgroupplc.com.

The Committee meets at least three times per year.

Membership of the Committee
Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee and comprise the Chairman of the Committee and at least two members who are the Chairman of the Board and the Independent Non-Executive Directors. At least one member has recent and relevant financial experience and between them have a wide experience of industry and commerce.

Other individuals such as the Chief Executive, Chief Financial Officer, Internal Auditor and the external auditors may be invited to attend meetings. The external auditors and the Internal Auditor have the opportunity for direct access to the Committee without the Executive Directors being present.

Responsibilities of the Committee
The main responsibilities of the Audit Committee which are contained in the UK Corporate Governance Code and also in the Committee's terms of reference are:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the Company's internal financial controls and internal control and risk management systems;
- to monitor and review the effectiveness of the Company's internal audit function;
- to consider and make recommendations to the Board, to be put to shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- to meet with the external auditors and the head of internal audit at least once a year without management being present; and
- to report to the Board on how it has discharged its responsibilities.

Attendance at meetings of the Audit Committee

	Number of meetings	Number attended
Colin Smith	4	4
Sir David Naish	4	4
Chris Marsh	4	4
Nigel Majewski	4	4

How the Committee has discharged its responsibilities
During 2015 the Committee met four times at appropriate intervals in the financial reporting and audit cycles. The work of the Committee during the year focused on the key areas set out below.

Monitoring the integrity of the financial statements including significant judgements
The Group's accounting policies were reviewed which included an assessment of the Group's cost plus contracts in relation to IFRIC 4 to determine whether they contain a lease. The Committee was satisfied that these cost plus contracts typically contain benchmarking clauses allowing customers to obtain competitive pricing or to source from a competitor, that product inputs are traded in active markets and that product selling prices are updated frequently resulting in pricing that is, in substance, a market price. On this basis the Committee concluded that the criteria for determining whether the Group's cost plus contracts contain a lease are not met. It was considered that there were no other critical accounting estimates or judgements involved in the application of the Group's accounting policies.

The external auditors identified complex supplier arrangements as an area of audit focus and the Committee fully considered this issue. An overview of Hilton's business relationships with its retailer partners is contained in the 'Business model' section of the Chief Executive's summary on page 11 and information on the accounting policies adopted relating to revenue recognition are set out in note 2 on page 65. As Hilton's contracts with its customers include pre-agreed and pre-defined revenue parameters, performance measures and targets there were no significant estimates or judgements involved in the application of these accounting policies.

The Committee reviewed half and full year financial reports including the application of accounting policies, estimates and judgements in their preparation, the clarity and completeness of the disclosures and also held discussions with management and the external auditors. The Annual report and financial statements were, taken as a whole, considered to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy. The Committee considered going concern and the Group's longer term viability and concluded that the Group should be considered as a going concern. Thereafter the Committee recommended that the Board approve these financial reports for publication and that the letter of representation to the external auditors be signed.

Report of the Audit Committee continued

Risk management and internal controls

During the year the Internal Auditor reported to the Committee on the internal audit work performed and on key focus areas for future work. The Group's Risk Register was also updated. The Committee concluded that the internal audit function remains effective.

A review of whistle-blowing showed that no concerns had been raised about possible wrongdoing in financial reporting or other matters.

External audit

The Committee oversees the relationship with, and the performance of, the external auditors. Meetings were held before the audit to agree their audit plan and after their audit work to discuss their key audit findings.

The current external auditors, PricewaterhouseCoopers LLP, were appointed in 2007. Their lead partner is rotated every five years to ensure continued objectivity and independence. Hilton is not subject to the provision in the UK Corporate Governance Code that the external audit contract should be put out to tender at least every ten years. The EU Audit Regulation and Directive covering mandatory audit firm rotation and tendering is expected to be implemented in the UK during 2016 which could require formal audit re-tendering for the 2017 financial year.

PricewaterhouseCoopers LLP annually confirm their compliance with UK regulatory and professional requirements including ethical standards and that their objectivity is not compromised. Their audit work is subject to independent partner and quality control reviews. Potential independence threats through the provision of non-audit services are mitigated through various safeguards.

The Committee continues to be satisfied with the performance of PricewaterhouseCoopers LLP and have therefore recommended to the Board that they should continue as the Group's auditors at the forthcoming Annual General Meeting.

Non-audit services and fees

Hilton has implemented a policy on the use of external auditors for non-audit services designed to preserve the independence of the external auditors. This policy categorises non-audit services into (i) continuing services which the Committee permits external auditors to undertake subject to a price cap, (ii) irregular or significant services requiring Committee approval on a case by case basis and (iii) non-permitted services.

The level of non-audit fees was reviewed which in 2015 at £107,000 represents 43% of audit fees which is below the proposed EU cap of 70%. Further details of these costs can be found in note 6 on page 72. The Committee considers that this low level of non-audit fees does not affect the independence of the external auditors.

Conclusion

The Committee considers that the work performed as detailed above demonstrates that the Committee continues to operate effectively and discharges its responsibilities.

I will be available to shareholders at the forthcoming Annual General Meeting to respond to any questions relating to the work of the Committee.

On behalf of the Audit Committee

Colin Smith OBE
Chairman
30 March 2016

Report of the Nomination Committee

Chairman's introduction

I am pleased to report on the activities of the Nomination Committee for the 53 weeks ended 3 January 2016.

Role of the Committee

The Nomination Committee is established by the Board of Directors. Terms of reference formalise the roles, tasks and responsibilities of the Committee to comply with the UK Corporate Governance Code and to achieve best practice. The Committee terms of reference are available and can be found on the Company's website at www.hiltonfoodgroupplc.com. The Nomination Committee leads the process for Board appointments.

The Committee meets on an as required basis.

Membership of the Committee

Members of the Committee comprise all the Non-Executive Directors.

Responsibilities of the Committee

The main responsibilities of the Nomination Committee which are contained in the UK Corporate Governance Code and also in the Committee's terms of reference are:

- to review the structure, size and composition of the Board including skills, knowledge, experience and diversity (including gender) and make recommendations to the Board with regard to any changes;
- to give consideration to succession planning for Directors and other senior executives and identify appropriate candidates for the approval of the Board;
- to oversee new appointments to the Board;
- to review the results of the Board performance evaluation relating to the composition of the Board; and
- to review the time requirements of Non-Executive Directors.

Attendance at meetings of the Nomination Committee

	Number of meetings	Number attended
Sir David Naish	1	1
Chris Marsh	1	1
Colin Smith	1	1

How the Committee has discharged its responsibilities

During 2015 the Committee met once in a continuing stable environment.

The Committee considered the composition of the Board noting that two Non-Executive Directors were nearing the completion of nine year terms with Hilton. The Committee considered and recommended the appointments of John Worby and Christine Cross as Non-Executive Directors to replace Chris Marsh and myself during 2016.

Hilton continues to develop management structures to promote its talent pipeline as part of a succession planning process covering the Directors and senior management positions. Hilton prefers where possible to recruit these positions from internal candidates. Accordingly processes are being developed to assess the current management population against criteria for larger management roles they could potentially fill in the future and put in place individual development plans.

The Chairman has discussions with each Director to review and agree their training and development needs.

Conclusion

The Committee considers that the work performed as detailed above demonstrates that the Committee continues to operate effectively and discharges its responsibilities.

I will be available to shareholders at the forthcoming Annual General Meeting to respond to any questions relating to the work of the Committee.

On behalf of the Nomination Committee

Sir David Naish DL
Chairman
30 March 2016

Report of the Risk Management Committee

Chairman's introduction

I am pleased to report on the activities of the Risk Management Committee for the 53 weeks ended 3 January 2016.

Role of the Committee

The Risk Management Committee is established by the Board of Directors. Terms of reference formalise the roles, tasks and responsibilities of the Committee to comply with the UK Corporate Governance Code and to achieve best practice. It seeks to focus and co-ordinate risk management activities throughout the Group in order to facilitate the identification, evaluation and management of key business risks.

The Committee meets at least six times per year.

Membership of the Committee

Members of the Committee are appointed by the Board and comprise the Finance Director, subsidiary company operations managers, the Group Internal Auditor, the Group IT manager and other personnel throughout the Group as required.

Responsibilities of the Committee

The main responsibilities of the Risk Management Committee are:

- to raise the level of management awareness of and accountability for risks faced by the business;
- to embed risk management into the Group culture;
- to provide a mechanism for risk management issues to be discussed and disseminated;
- to oversee and advise the Board on the current risk exposures of the Group and future risk strategy; and
- to provide advice on the co-ordination of risk management strategies across the Group ensuring they receive the appropriate level of sponsorship and support.

Attendance at meetings of the Risk Management Committee and how it has discharged its responsibilities

During 2015 the Committee met eleven times (of which Nigel Majewski attended nine meetings) and focused on the key areas set out below.

- monitoring, identification and evaluation of potential risks to all the Hilton businesses;
- independent buildings risk assessments and emergency power solutions;
- developing business continuity management systems with disaster recovery exercises conducted at various sites each year; and
- the further development of a sister site support network across the Group in the event of any business interruption to a particular operating unit. Functionality includes identification of spare capacity and establishment of central labelling equipment to significantly shorten reaction times making possible rapid support across the Group.

Conclusion

The Committee considers that the work performed as detailed above demonstrates that the Committee continues to operate effectively and discharge its responsibilities.

I will be available to shareholders at the forthcoming Annual General Meeting to respond to any questions relating to the work of the Committee.

On behalf of the Risk Management Committee

Nigel Majewski
Chairman
30 March 2016

Directors' remuneration report

Chairman's introduction

I am pleased, as Non-Executive Chairman of the Board, to present the Directors' remuneration report for the 53 weeks ended 3 January 2016. As explained below since the end of 2015 the previous Chairman of the Remuneration Committee Chris Marsh retired and the new Chair Christine Cross appointed as a Non-Executive Director of Hilton. As Christine has not yet attended any Remuneration Committee meetings and therefore not yet cognisant on Hilton remuneration matters I am presenting this Remuneration report for this year only.

This report sets out the Company's policy on Directors' remuneration as well as information on remuneration paid to Directors for the 53 weeks ended 3 January 2016. The report complies with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and has been prepared in line with the recommendations of the Code and the UK Listing Authority Listing Rules (the 'Listing Rules').

Good strategic progress was achieved in 2015 and strong underlying profit progress was made despite a material impact on our profitability reported in Sterling from adverse exchange translation movements.

Role of the Committee

Remuneration policy is delegated by the Board to the Remuneration Committee established by the Board of Directors. Terms of reference formalise the roles, tasks and responsibilities of the Committee to comply with the UK Corporate Governance Code and to achieve best practice. The Committee's terms of reference are available and can be found on the Company's website at www.hiltonfoodgroupplc.com.

The Committee meets at least twice per year.

Membership of the Committee

Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chairman of the Remuneration Committee. In 2015 the Committee comprised the Non-Executive Directors (Chris Marsh and Colin Smith) and the Non-Executive Chairman of the Board (Sir David Naish) who was considered to be independent on appointment. Chris Marsh stepped down from the Board in March 2016 and Sir David Naish will step down in May after the AGM. Following their appointment to the Board on 22 March 2016 John Worby and Christine Cross joined the Remuneration Committee and Christine Cross was appointed as its Chairman.

Other individuals such as the Chief Executive and external advisors may be invited by the Committee to attend meetings as and when required.

Responsibilities of the Committee

The main responsibilities of the Remuneration Committee which are contained in the UK Corporate Governance Code and also in the Committee's terms of reference are:

- setting the remuneration policy for all Executive Directors and the Company's Non-Executive Chairman;
- approving the design of, and determining the targets for, any performance-related pay schemes operated by the Company and to approve the aggregate annual payments made under such schemes;
- reviewing the design of all share incentive plans for approval by the Board and shareholders; and
- recommending and monitoring the level and structure of remuneration for senior management.

Attendance at meetings of the Remuneration Committee

	Number of meetings	Number attended
Chris Marsh	3	3
Sir David Naish	3	3
Colin Smith	3	3

Directors' remuneration major decisions and substantial changes

The Committee made the following major decisions during the year:

Basic salaries

In the year the Committee undertook a review of Company and individual performance, changes in responsibility and levels of increase in the sector for the broader UK employee population. Theo Bergman has stepped down from the role of Chief Operating Officer for Continental Europe thereby increasing the responsibilities of the other Executive Directors, in particular Philip Heffer who has taken over the Chief Operating Officer role for the whole Group. In considering the appropriate salary for each Executive Director we have set this in context of comparable rates in the market. The Committee agreed basic salary increases of 10% for Robert Watson and 6% for Philip Heffer and Nigel Majewski effective from 1 January 2016. Theo Bergman's salary is unchanged.

Annual bonus for Executive Directors

A 2015 non-financial metric award of 20.0% of salary was granted out of a maximum of 20% of salary reflecting the significant strategic progress and the strong 20.9% underlying increase in operating profit at constant currency rates achieved by the Company during 2015. Under the financial metric 55.54% of salary is payable out of a maximum of 105% of salary reflecting the increase in actual net income in 2015 over the 2014 net income.

The 2016 Executive Director bonus scheme financial element will have a threshold award of 20% for achieving the 2015 actual net income level rising to 105% for performance of at least 118% of 2016 budgeted net income. A further non-financial element of up to 20% of salary will remain available based on individual achievement against personal and strategic targets aggregating to a 125% of salary maximum bonus opportunity for the Executive Directors. Following a change in his circumstances Theo Bergman will not participate in the 2016 bonus scheme.

Long term incentive schemes

During 2015 a grant of nil cost options under the Long Term Incentive Plan was approved with vesting subject to an EPS performance condition. Threshold performance is EPS growth of 6% per annum where 10% of the options will vest rising to EPS growth of at least 18% per annum where 100% of the options will vest. There was a further invitation under Hilton's Sharesave Scheme during the year.

External advisors

The Committee has appointed New Bridge Street (part of Aon plc) to provide advice on remuneration matters and are satisfied that such advice is objective and independent. The amount paid for these services during the year amounted to £3,799 and no other services to the Company are provided. New Bridge Street is a member of the Remuneration Consultants Group and is a signatory to its code of conduct.

Share scheme dilution limits

The Company applies established good governance restrictions over the issue of new shares under all its share schemes of 10% in 10 years and 5% in 10 years for discretionary schemes. As at 3 January 2016 the headroom available under these limits was 3.3% and 0% respectively.

Statement of voting at Annual General Meeting

This Directors' remuneration report (other than the Directors' remuneration policy) is subject to a non-binding resolution at each AGM. The Directors' remuneration policy is subject to a binding resolution every three years or sooner where any changes are made. The resolution to approve the 2014 Directors' remuneration report was unanimously passed on a show of hands at the AGM held in the year. The proxy vote was as follows:

	Approve Directors' remuneration report
Resolution type	Advisory
Votes for	48,108,978
%	97.3%
Votes against	1,337,377
%	2.7%
Votes withheld	12,578

No changes are proposed to the Directors remuneration policy. An advisory resolution on the Directors' remuneration report (other than the Directors' remuneration policy) will be proposed at Hilton's 2016 AGM.

Directors' remuneration policy

The Committee considers that the Group's remuneration policies should encourage a strong performance culture and emphasise long term shareholder value creation in order to be aligned with its shareholders' interests.

The policy set out below was passed by a binding shareholder vote at the Company's 2014 Annual General Meeting effective from the date of that meeting. The policy will be subject to further binding votes every three years or sooner where any changes are made. No changes are proposed and the policy is reproduced below for completeness and transparency.

The following table summarises all elements of pay which make up the total remuneration opportunity for Directors, and details how each element is operated and links to the Company's strategy.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Basic salary	To recruit and reward executives of a suitable calibre for the role and duties required	Normally reviewed annually by the Committee with effect from 1 January, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the broader UK employee population (or their local market where relevant). Reference is also made to median levels within relevant FTSE and industry comparators. The Committee considers the impact of any basic salary increase on the total remuneration package.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader UK employee population (or their local market where relevant) but on occasions may need to recognise, for example, development in roles assigned, changes in levels of responsibility, and/or specific retention issues.
Benefits	To provide market competitive benefits to ensure the retention of employees	The Company typically provides: – Company car and fuel; – Private healthcare; and – Other ancillary benefits, including relocation expenses (as required).	Value of benefits is based on the cost to the Company and is not pre-determined.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Pension	To provide adequate retirement benefits	Employer contributions are made to money purchase pension schemes at the rates set out in Executive Directors' service contracts. In certain circumstances a salary supplement may be paid in lieu of such pension contributions.	Up to 15% of basic salary for Robert Watson, Philip Heffer and Nigel Majewski and for Theo Bergman up to 24% of basic salary, holiday allowance and bonus (in compliance with a legacy arrangement).
Annual bonus	To encourage and reward delivery of the Company's operational objectives	The annual bonus scheme for Executive Directors is based on performance against the following metrics: – Financial element based on achieving financial targets including the Group net income level adjusted for exceptional items; and – Non-financial element based on individual Executive Director achievement against personal and strategic targets. There are no deferred elements. Any bonus paid is subject to claw-back in circumstances of exceptional misstatement or misconduct.	Up to 125% of basic salary.
Long term incentives	To encourage and reward delivery of the Company's strategic objectives and provide alignment with its shareholders' interests through the use of share option schemes	Under its Long Term Incentive Plan (LTIP) Hilton makes an annual award of conditional shares or nil cost options. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years to be satisfied by the issue of new shares or transfer of existing shares. An Employee Benefit Trust has been set up in connection with this plan. Awards granted under the current policy are subject to the achievement of EPS performance targets determined at the date of grant with up to 25% vesting at threshold performance. Awards are subject to claw-back for three years following vesting in circumstances of material misstatement, error or misconduct. There are no plans to grant further options under Hilton's Executive Share Option Scheme (ESOS) in the foreseeable future although the ability to do so is retained as an alternative to LTIP awards. Any grants would be subject to performance conditions determined prior to grant.	100% of salary for all Executive Directors, but in exceptional circumstances such as recruitment or retention, the limit may be increased to 200% of salary. The same ESOS maximum opportunity as for LTIP above.
All employee share schemes	To encourage employee share ownership and thereby increase their alignment with shareholders	All employees are eligible to join Hilton's Sharesave Scheme (HMRC approved for the UK and Ireland) and make regular savings for a three year period following which they have six months to exercise the options granted. No performance conditions attach to options granted under the Scheme.	Maximum savings up to the UK statutory limit.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-Executive Director fees	To attract and retain a high-calibre Non-Executive Chairman and Non-Executive Directors by offering a market competitive fee level	The Non-Executive Directors receive the fees set out in their letters of appointment. A base fee is augmented for Committee Chairmanship or membership to take into account the additional time commitment and responsibilities associated with those committees. Non-Executive Director remuneration is determined by the Non-Executive Chairman and the Executive Directors. The Non-Executive Chairman's remuneration is determined by the Remuneration Committee.	As for the Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader UK employee population but on occasions may need to recognise, for example, change in responsibility, and/or time commitments.

Notes

1. The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. For example, the Committee takes into account the general base salary increase for the broader UK employee population when determining the annual salary review for the Executive Directors. There are some differences in the structure of the remuneration policy for the Executive Directors and other senior employees, which the Remuneration Committee believes are necessary to reflect the different levels of responsibility of employees across the Company. The key differences in remuneration policy between the Executive Directors and employees across the Group are the increased emphasis on performance related pay and the inclusion of a share based long term incentive plan for Executive Directors. There is a lower aggregate incentive quantum at below executive level with levels driven by market comparatives and the impact of the role. Long term incentives are not provided outside of the most senior executives as they are reserved for those viewed as having the greatest potential to influence Group levels of performance.
2. The choice of the annual bonus financial element based on net income metric aligns the bonus for a given year to the overall financial performance for that year. Threshold performance is at the previous year net income thereafter on a sliding scale with the maximum bonus paid at a stretching margin above current year budgeted net income.
3. The long term incentive EPS metric was chosen as it aligns the incentive with long term returns to shareholders.
4. Long term incentive and sharesave schemes are operated in accordance with their respective Scheme and other rules under which the Committee has some discretion relating to their administration which is consistent with market practice. Under the LTIP such discretion covers:
   - treatment of awards in the event of good leavers (including determination of good leaver status), death and intervening events (including variations in capital and change of control) which address vesting date, exercise period and reduction in number of vesting options;
   - in exceptional circumstances such as recruitment or retention the grant limit may be increased to 200% of salary;
   - minor alterations to benefit the plan administration, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment; and
   - where an event has occurred such that it would be appropriate to amend the performance condition so long as the altered performance condition is not materially less difficult to satisfy.

Other policy information

Element	Description
Non-UK based Directors and foreign currency translation	Directors may be employed who are based outside of the UK and therefore subject to the employment laws and accepted practice for that country which may be different to those in the UK. The Committee will ensure that any future overseas based Directors are remunerated on an equivalent basis as in the UK albeit that it may be necessary to satisfy local statutory requirements. Remuneration to Theo Bergman is paid in Euro which, for disclosure purposes, is translated into Sterling at the average exchange rate for the relevant year.
Share ownership	The Directors' current shareholdings total 10.49% of the Company's shares. Therefore the Committee has not set a share ownership guideline as the Committee considers these shareholdings to be significant and sufficient to align their interests to the longer term performance of the Company.
Approach to recruitment	The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time. The salary for a new Executive Director may be set below the normal market rate, with phased increases over the first few years as the Executive Director gains experience in their new role. The Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and its shareholders. Such payments would reflect and be limited to remuneration relinquished when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment. For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal Executive Director appointments, the Committee may agree that the Company will meet certain relocation expenses where appropriate.
Payment for loss of office	Payments for loss of office are made in accordance with the terms of the Directors' service contracts as below. In accordance with its terms of reference the Committee ensures that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
Consideration of shareholder views	The Committee is always interested in shareholder views and is committed to an open dialogue. All feedback is considered when making policy decisions. The Committee will seek to engage with major shareholders on any proposed significant changes to its remuneration policies.
Consideration of employment conditions elsewhere in the Group	The Committee takes into account the general employment reward packages of employees across the Group when setting policy for Executive Director remuneration. Employees have not previously been actively consulted on Director remuneration policies but this may be considered in future where appropriate.

Directors' remuneration report continued

Director service contract and other relevant information

Provision	Executive Directors	Non-Executive Directors
Term	All appointed on 24 April 2007 with no fixed term	Sir David Naish 3 years from 27 March 2013 extended to 25 May 2016 Colin Smith 3 years from 1 October 2013 John Worby and Christine Cross 3 years from 22 March 2016
Re-election at AGM	Every 3 years	Every 3 years
Notice period	12 months for both the Company and the Director	6 months for both the Company and the Director
Termination payment/ payments in lieu of notice	Up to 12 months' salary in lieu of notice. If a claim is made against the Company in relation to a termination (e.g. for unfair dismissal), the Committee retains the right to make an appropriate payment in settlement of such claims as considered in the best interests of the Company. Additional payments in connection with any statutory entitlements (e.g. in relation to redundancy) may be made as required.	None
Remuneration entitlements	On termination no bonus is payable and outstanding share awards will lapse unless the Committee determines good leaver circumstances apply. In good leaver circumstances and subject to performance conditions a pro-rata bonus may be payable at the Company's discretion. Outstanding share awards may vest subject to time pro-rating and the performance conditions being satisfied.	None
Change of control	There are no enhanced terms in relation to a change of control	There are no enhanced terms in relation to a change of control
External appointments	External appointments can be held and earnings retained from such appointments with the Company's permission	N/A

Inspection

Executive Director service agreements and Non-Executive Director appointment letters are available for inspection at the Companies registered office.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes) that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual report on remuneration as they arise.

Remuneration paid to Theo Bergman is subject to Dutch laws and accepted practices. The Dutch Minimum Wages and the Minimum Holiday Allowance Act provides that an employer is obliged to pay a holiday allowance equal to a certain percentage, currently 8%, of the employee's basic salary. In the UK such holiday allowance is generally included within the employee basic salary. Additionally the terms of the Dutch industry specific pension scheme, to which Mr Bergman has belonged since before the acquisition by Hilton of the Dutch business, currently stipulate that the pension percentage contribution is applied to basic salary, holiday allowance and bonus although this may be subject to change in the future.

Annual report on remuneration

This section is subject to audit.

Single total figure table of remuneration

The remuneration of individual Directors is set out below.

53 weeks to 3 January 2016	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Long term incentive £'000	Pension £'000	Total £'000
Executive Directors						
Robert Watson	387	47	292	–	58	784
Philip Heffer	310	45	234	–	46	635
Theo Bergman	320	19	223	–	115	677
Nigel Majewski	310	29	234	–	40	613
Non-Executive Directors						
Sir David Naish	90	–	–	–	–	90
Chris Marsh	50	–	–	–	–	50
Colin Smith	50	–	–	–	–	50
Total	1,517	140	983	–	259	2,899

52 weeks to 28 December 2014	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Long term incentive £'000	Pension £'000	Total £'000
Executive Directors						
Robert Watson	376	43	150	–	57	626
Philip Heffer	301	40	120	–	45	506
Theo Bergman	343	21	127	–	110	601
Nigel Majewski	301	29	120	–	40	490
Non-Executive Directors						
Sir David Naish	90	–	–	–	–	90
Chris Marsh	50	–	–	–	–	50
Colin Smith	50	–	–	–	–	50
Total	1,511	133	517	–	252	2,413

Notes

1. Salary and fees
   2015 salaries reflect a 3% increase on 2014. The salary disclosed in respect of Theo Bergman includes an 8% holiday allowance.

2. Annual bonus
   Under the 2015 annual bonus financial element formula, threshold performance was 2014 net income £18.1m, achievement of which earned a 20% of salary bonus. Thereafter the bonus was calculated on a sliding scale including a 38% of salary bonus for achieving the 2015 budgeted net income level of £19.1m up to a maximum 105% of salary bonus for achieving the stretch target of 115% of 2015 budgeted net income being £22.6m. A non-financial element bonus of up to 20% was available aggregating to a 125% maximum bonus opportunity.

   Actual 2015 net income was £20.0m exceeding that achieved in 2014 being 104.7% of 2015 budgeted net income resulting in a financial element bonus of 55.54% of salary. The Committee considered that good strategic progress had been made with very strong underlying profit progress and accordingly awarded a 20% of salary non-financial metric bonus out of a potential 20% of salary. Therefore a total bonus of 75.54% of salary (excluding Theo Bergman's holiday allowance) is payable for the year to each Executive Director.

   In 2014 net income exceeded the threshold achieving 92.0% of 2014 budgeted net income which resulted in a financial element bonus of 24.2% of salary. A 15.8% of salary bonus was paid to each Executive Director in respect of the non-financial metric in view of excellent strategic progress. Accordingly a total bonus of 40.0% of salary was paid during the year.

3. Long term incentive
   Long term incentives comprise the number of share options under the Company's share plans where the achievement of performance targets ended in the year multiplied by the difference between the share price on the date of vesting and the exercise price.

   For 2015 there are incentive awards options under the Long Term Incentive Plan due to vest during 2016 subject to performance conditions covering the three years 2013-2015. The earnings per share performance metric for that period fell short of the threshold 5% compound annual growth target and accordingly it is expected that there will be 0% vesting.

   In 2014 there were incentive awards options under the Long Term Incentive Plan due to vest during 2015 subject to performance conditions covering the three years 2012-2014. The earnings per share performance metric for that period fell short of the threshold 6% compound annual growth target and accordingly there was 0% vesting.

4. Pension
   Payments were made during 2015 and 2014 to money purchase pension schemes or in lieu as a salary supplement at rates of up to 15% of basic salary for Robert Watson, Philip Heffer and Nigel Majewski and up to 24% of basic salary, holiday allowance and bonus for Theo Bergman (in compliance with a legacy arrangement).

5. Payments to past directors
   No payments were made to former directors in 2015 or 2014.

6. Payments for loss of office
   No payments for loss of office were made in 2015 or 2014.

Directors' remuneration report continued

Director shareholding and share interests

Details of Director shareholdings and changes in outstanding share awards were as follows:

Director	Type	At 28 December 2014	Granted (note 5)	Lapsed	At 3 January 2016	Exercise price (pence)	Earliest exercise date	Latest exercise date	Notes
Robert Watson	Shares	3,016,380			2,926,380				1
	Share options	130,610	–	–	130,610	246.00	10.05.13	10.05.20	2
	Share options	1,955	–	–	1,955	460.25	01.04.17	01.10.17	4
	Share options	–	2,142	–	2,142	420.00	01.06.18	01.12.18	4
	Total share options	132,565	2,142	–	134,707				
	Nil cost options	141,585	–	(141,585)	–	nil	26.06.15	26.06.22	3(a)
	Nil cost options	102,228	–	–	102,228	nil	08.05.16	08.05.23	3(b)
	Nil cost options	71,046	–	–	71,046	nil	28.04.17	28.04.24	3(c)
	Nil cost options	–	86,359	–	86,359	nil	20.04.18	20.04.25	3(d)
	Total nil cost options	314,859	86,359	(141,585)	259,633				
Philip Heffer	Shares	4,181,030			4,181,030				1
	Share options	120,301	–	–	120,301	199.50	12.05.11	12.05.18	2
	Share options	144,206	–	–	144,206	174.75	01.05.12	01.05.19	2
	Share options	104,488	–	–	104,488	246.00	10.05.13	10.05.20	2
	Share options	1,955	–	–	1,955	460.25	01.04.17	01.10.17	4
	Share options	–	2,142	–	2,142	420.00	01.06.18	01.12.18	4
	Total share options	370,950	2,142	–	373,092				
	Nil cost options	113,268	–	(113,268)	–	nil	26.06.15	26.06.22	3(a)
	Nil cost options	81,830	–	–	81,830	nil	08.05.16	08.05.23	3(b)
	Nil cost options	56,836	–	–	56,836	nil	28.04.17	28.04.24	3(c)
	Nil cost options	–	69,088	–	69,088	nil	20.04.18	20.04.25	3(d)
	Total nil cost options	251,934	69,088	(113,268)	207,754				
Theo Bergman	Shares	328,333			328,333				1
	Share options	113,610	–	–	113,610	246.00	10.05.13	10.05.20	2
	Total share options	113,610	–	–	113,610				
	Nil cost options	119,437	–	(119,437)	–	nil	26.06.15	26.06.22	3(a)
	Nil cost options	88,374	–	–	88,374	nil	08.05.16	08.05.23	3(b)
	Nil cost options	60,828	–	–	60,828	nil	28.04.17	28.04.24	3(c)
	Nil cost options	–	67,260	–	67,260	nil	20.04.18	20.04.25	3(d)
	Total nil cost options	268,639	67,260	(119,437)	216,462				
Nigel Majewski	Shares	91,760			91,760				1
	Share options	104,488	–	–	104,488	246.00	10.05.13	10.05.20	2
	Share options	1,955	–	–	1,955	460.25	01.04.17	01.10.17	4
	Share options	–	2,142	–	2,142	420.00	01.06.18	01.12.18	4
	Total share options	106,443	2,142	–	108,585				
	Nil cost options	113,268	–	(113,268)	–	nil	26.06.15	26.06.22	3(a)
	Nil cost options	81,830	–	–	81,830	nil	08.05.16	08.05.23	3(b)
	Nil cost options	56,836	–	–	56,836	nil	28.04.17	28.04.24	3(c)
	Nil cost options	–	69,088	–	69,088	nil	20.04.18	20.04.25	3(d)
	Total nil cost options	251,934	69,088	(113,268)	207,754				
Sir David Naish	Shares	60,000			60,000				1
Chris Marsh	Shares	30,000			30,000				1
Colin Smith	Shares	50,000			50,000				1

Notes

1. There is no requirement for Directors to hold shares in the Company. All shares are beneficially owned with the exception of 1,280,917 shares held by various family trusts of which Robert Watson is a trustee. Additionally 750,000 shares held by Robert Watson have been pledged as security on a personal loan. Since the year end Robert Watson and Nigel Majewski have exercised 130,610 and 104,488 share options respectively. There have been no other changes in the interests of Directors between 3 January 2016 and the date of this report.
2. Executive Share Option Scheme awards which have vested.
3. Nil cost options granted under the Long Term Incentive Plan which are subject to a performance condition of compound growth in the Group's earnings per share over three financial years commencing with the year in which the awards were granted.

   a) Awards vest on a sliding scale between 25% for 6% EPS compound annual growth and 100% for at least 14.5% EPS compound annual growth.
   b) Awards vest on a sliding scale between 25% for 5% EPS compound annual growth and 100% for at least 10% EPS compound annual growth.
   c) Awards vest on a sliding scale between 25% for 8% EPS compound annual growth and 100% for at least 13% EPS compound annual growth.
   d) Awards vest on a sliding scale between 10% for 6% EPS compound annual growth and 100% for at least 18% EPS compound annual growth.
4. Share options granted under Hilton's all employee Sharesave Scheme.
5. Face value of the nil cost option awards granted in the year were Robert Watson £387,106, Philip Heffer £309,685, Theo Bergman £301,491 and Nigel Majewski £309,685 based on the actual share price at date of grant of 448.25 pence on 17 April 2015.

Further information

Statement of implementation of remuneration policy in the 2016 financial year

Base salaries

For 2016 Executive Director salaries have increased by 10% for Robert Watson and 6% for Philip Heffer and Nigel Majewski. These increases reflect comparable market rates and the additional responsibilities taken on referred to earlier in this report. Theo Bergman's salary is unchanged.

	2015 £'000	2016 £'000
Robert Watson	387	426
Philip Heffer	310	328
Theo Bergman	320	320
Nigel Majewski	310	328

Note

The base salary for Theo Bergman for both years include holiday allowance and are translated at the 2015 average exchange rate.

Annual bonus

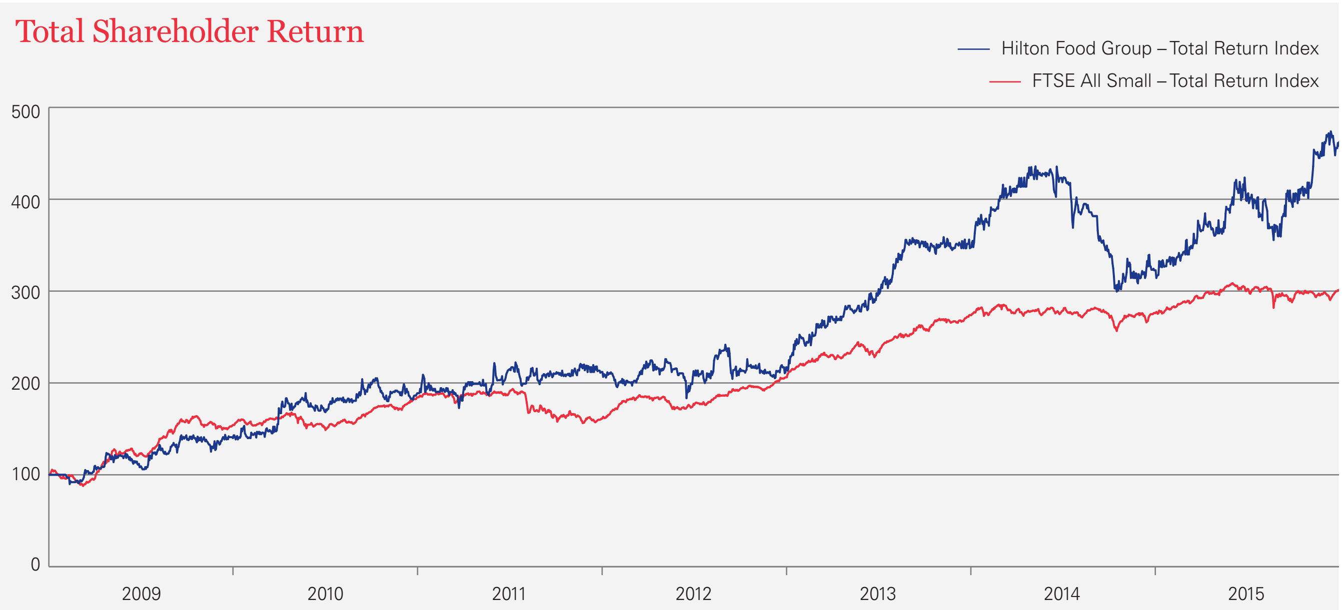
The maximum annual bonus in 2016 will be 125% of salary for Robert Watson, Philip Heffer and Nigel Majewski. This bonus will be payable subject to stretching targets around net income (up to 105% of salary) and personal and strategic targets (up to 20% of salary). As financial targets are set with reference to the budget, they are therefore considered commercially sensitive. The Committee will disclose targets on a retrospective basis. In view of Theo Bergman's changed circumstances he will not be entitled to a 2016 bonus.

2016 long term incentive awards

The Committee will make a decision on whether to make a 2016 grant of nil cost award, their timing and the EPS targets to be set following the Annual report approval date. Details of new grant and performance conditions will be published via a Regulatory Information Service.

TSR performance graph

The graph below shows the Total Shareholder Return performance (TSR) (share price movements plus reinvested dividends) of the Company compared against the FTSE Small Cap Index covering the seven years 2009 to 2015. The FTSE Small Cap Index is, in the opinion of the Directors, the most appropriate index against which the TSR of the Company should be measured.



Directors’ remuneration report continued

Chief Executive Officer remuneration seven year trend

	2009	2010	2011	2012	2013	2014	2015
Total remuneration (£’000)	584	644	730	593	610	626	784
Annual bonus (as a percentage of the maximum)	85%	63%	53%	10%	42%	32%	60%
Long term incentive vesting (as a percentage of the maximum)	n/a	100%	100%	100%	n/a	0%	0%

Note
There were no long term incentive awards that were due to vest dependent on a performance period ending in 2009 or 2013.

Chief Executive Officer remuneration percentage change

2015 percentage increase over 2014	CEO	Company average
Salary	3.0%	2%
Benefits	9.3%	n/a
Annual bonus	94.1%	n/a

Note
The majority of employees do not receive benefits or annual bonus and so there is no meaningful data. An alternative comparator group is senior management for whom the percentage changes for salary, benefits and annual bonus were 2%, 2% and 65% respectively.

Relative importance of spend on pay
The following table sets out for the comparison total spend on pay with dividends.

	2015 £’000	2014 £’000	% change
Staff costs (note 8 to the financial statements)	73,639	74,570	-1%
Dividends payable	10,662	9,649	11%

Note
Dividends payable comprises any interim dividends paid in respect of the year plus the final dividend proposed for the year but not yet paid.

On behalf of the Board

Sir David Naish DL
Non-Executive Chairman of the Board
30 March 2016

Statements of Directors' responsibilities

Directors' responsibilities for the preparation of the Annual report and financial statements

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors' are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Responsibility statement of the Directors in respect of the Annual report and financial statements

Each of the current Directors whose names and functions are set out on pages 32 and 33, confirm that to the best of their knowledge and belief:

- the Group and parent company financial statements, prepared in accordance with applicable UK law and in conformity with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and
- the management reports, which comprise the Strategic report and the Directors' report, include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 30 March 2016 and is signed on its behalf by:

Robert Watson OBE
Chief Executive

Nigel Majewski
Chief Financial Officer

Independent auditors' report

to the members of Hilton Food Group plc

Report on the financial statements

Our opinion

In our opinion:

- Hilton Food Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 3 January 2016 and of the Group's profit and the Group's and the Company's cash flows for the 53 week period (the "period") then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated balance sheet and Company balance sheet as at 3 January 2016;
- the consolidated income statement and the consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement and Company cash flow statement for the period then ended;
- the consolidated statement of changes in equity and the Company statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview

Materiality

- Overall Group materiality: £1,419,000 which represents 5% of profit before tax.

Audit scope

- The Group comprises a holding Company, six trading subsidiaries and four intermediary holding companies. All of these components were subject to audits of their complete financial information.
- The Group also holds a 50% investment in an Australian joint venture. This was not significant to the Group and was not therefore subject to audit procedures.

Area of focus

- Customer supply arrangements.

The scope of our audit and our area of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as an "area of focus" in the table below. We have also set out how we tailored our audit to address this specific area in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Customer supply arrangements The Group has entered into a number of rebate and incentive arrangements with its customers. Rebates and incentives are calculated based on agreed contracted rates and volumes of sales to customers over the term of the contracts. As the arrangements are based on contracted rates and known sales volumes there is little judgement or estimation required around the recognition of these amounts accurately and in the appropriate accounting period. However, owing to the number of agreements in place and the range of contractual terms included within those agreements there is an increased risk that the application of those terms might be calculated inaccurately, omitted from the calculation or included in the incorrect accounting period. Significant audit effort was therefore required to obtain sufficient evidence that there was no material misstatement in this regard. Furthermore, the Group occasionally agrees variations to these arrangements with its customers during the term of the contract. This can result in a change in agreed rates applied in the calculation of the rebate and incentive amounts. We therefore focused our work on the appropriate reflection of these variations in the Directors' calculations, including assessing whether all variations with a material impact had been included in the calculation.	We obtained and read copies of open customer supply agreements in order to understand the impact of these arrangements on the financial statements. We held discussions with the Directors and inspected minutes of Board discussions and determined, based on that evidence and the fact that we did not identify any omitted agreements through our audit procedures in other areas, that the list of contracts management had provided was complete. We selected a sample of rebate and incentive accruals and agreed them to the contracts. Based on these procedures we determined that the amounts had been recognised in the correct period and calculated appropriately based on the correct contracted rates in the agreement and sales amounts in the accounting ledgers (which we had audited). We tested that variations in contracts and/or rates had been reflected in the accrual calculations and determined, based on these procedures, that they had been correctly reflected. We also selected rebate and incentive payments made after the period end and checked that, where appropriate, they were accrued in the financial statements and found that they were.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured as a parent Company with ten subsidiary undertakings:

- six trading subsidiaries located in the United Kingdom, the Republic of Ireland, the Netherlands, Poland, Denmark and Sweden, all of these entities are required to have statutory audits under local legislation; and
- four intermediary holding companies, all located in the United Kingdom and all requiring statutory audits.

All of these entities are audited by PwC network firms with the exception of the subsidiary located in Netherlands.

In addition to these eleven entities the Group has a 50% interest in a joint venture Company located in Australia. We did not consider this Company to be significant to the Group and it was not therefore subject to audit procedures.

The key procedures we adopted in respect of working with all component auditors were:

- Issuing formal Group reporting instructions, which set out our requirements for the component auditors, together with our assessment of audit risks in the Group;
- Planning discussions were held with all component auditors in order to agree those requirements, discuss the Group audit risks and to identify any component specific risks;
- High level analysis of the financial information of the component by the Group engagement team;
- Attending, with Group management, the component clearance meeting held between the component auditors and local management; and
- Obtaining signed audit opinions that the component financial information was properly prepared in accordance with IFRSs as adopted by the European Union.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality

£1,419,000 (2014: £1,259,000).

How we determined it

5% of profit before tax.

Rationale for benchmark applied

We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (2014: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 21, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or
  - otherwise misleading.

  We have no exceptions to report.

- the statement given by the Directors on page 53, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.

  We have no exceptions to report.

- the section of the Annual Report on page 40, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

  We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation on page 21 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

  We have nothing material to add or to draw attention to.

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

  We have nothing material to add or to draw attention to.

- the Directors' explanation on page 21 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

  We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

  We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statements of Directors' responsibilities set out on page 53, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Kevin MacAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

30 March 2016

The maintenance and integrity of the Hilton Food Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements

Consolidated income statement

	Notes	2015 53 weeks £'000	2014 52 weeks £'000
Continuing operations			
Revenue	5	1,094,822	1,098,990
Cost of sales		(957,067)	(966,809)
Gross profit		137,755	132,181
Distribution costs		(10,091)	(10,541)
Administrative expenses		(99,887)	(96,462)
Share of profit in joint venture		1,222	884
Operating profit		28,999	26,062
Finance income	9	97	102
Finance costs	9	(1,148)	(976)
Finance costs – net	9	(1,051)	(874)
Profit before income tax		27,948	25,188
Income tax expense	10	(6,489)	(5,638)
Profit for the year		21,459	19,550
Attributable to:			
Owners of the parent		20,017	18,071
Non-controlling interests		1,442	1,479
		21,459	19,550
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	11	27.5	25.0
Diluted (pence)	11	27.2	24.7

Consolidated statement of comprehensive income

	2015 53 weeks £'000	2014 52 weeks £'000
Profit for the year	21,459	19,550
Other comprehensive income		
Currency translation differences	(2,739)	(4,761)
Other comprehensive income for the year net of tax	(2,739)	(4,761)
Total comprehensive income for the year	18,720	14,789
Total comprehensive income attributable to:		
Owners of the parent	17,552	13,625
Non-controlling interests	1,168	1,164
	18,720	14,789

The notes on pages 64 to 83 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	67,230	72,642	–	–
Intangible assets	14	10,073	12,547	–	–
Investments	15	2,396	1,234	102,985	102,985
Deferred income tax assets	21	1,000	771	–	–
		80,699	87,194	102,985	102,985
Current assets					
Inventories	16	18,272	22,029	–	–
Trade and other receivables	17	96,095	115,609	470	53
Current income tax assets		–	1,532	11	30
Cash and cash equivalents	18	52,806	35,586	150	333
		167,173	174,756	631	416
Total assets		247,872	261,950	103,616	103,401
Equity					
Equity attributable to owners of the parent					
Ordinary shares	22	7,286	7,259	7,286	7,259
Share premium		8,191	7,235	8,191	7,235
Employee share schemes reserve		901	441	–	–
Foreign currency translation reserve		(4,489)	(2,024)	–	–
Retained earnings		82,829	72,717	17,120	13,470
		94,718	85,628	32,597	27,964
Reverse acquisition reserve		(31,700)	(31,700)	–	–
Merger reserve		919	919	71,019	71,019
		63,937	54,847	103,616	98,983
Non-controlling interests		4,938	4,786	–	–
Total equity		68,875	59,633	103,616	98,983
Liabilities					
Non-current liabilities					
Borrowings	19	28,405	32,573	–	–
Deferred income tax liabilities	21	1,654	1,875	–	–
		30,059	34,448	–	–
Current liabilities					
Borrowings	19	11,728	10,687	–	–
Trade and other payables	20	136,537	157,182	–	4,418
Current income tax liabilities		673	–	–	–
		148,938	167,869	–	4,418
Total liabilities		178,997	202,317	–	4,418
Total equity and liabilities		247,872	261,950	103,616	103,401

The notes on pages 64 to 83 are an integral part of these consolidated financial statements.

The financial statements on pages 58 to 83 were approved by the Board on 30 March 2016 and were signed on its behalf by:

R. Watson OBE
Director

N. Majewski
Director

Hilton Food Group plc – Registered number: 06165540

Consolidated statement of changes in equity

Group	Notes	Attributable to owners of the parent									
		Share capital £'000	Share premium £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 30 December 2013		7,216	5,885	857	2,422	63,989	(31,700)	919	49,588	4,670	54,258
Profit for the year		–	–	–	–	18,071	–	–	18,071	1,479	19,550
Other comprehensive income											
Currency translation differences		–	–	–	(4,446)	–	–	–	(4,446)	(315)	(4,761)
Total comprehensive income for the year		–	–	–	(4,446)	18,071	–	–	13,625	1,164	14,789
Issue of new shares		43	794	–	–	–	–	–	837	–	837
Adjustment in respect of employee share schemes		–	406	(151)	–	–	–	–	255	–	255
Tax on employee share schemes		–	150	(265)	–	–	–	–	(115)	–	(115)
Dividends paid	12	–	–	–	–	(9,343)	–	–	(9,343)	(1,048)	(10,391)
Total transactions with owners		43	1,350	(416)	–	(9,343)	–	–	(8,366)	(1,048)	(9,414)
Balance at 28 December 2014		7,259	7,235	441	(2,024)	72,717	(31,700)	919	54,847	4,786	59,633
Profit for the year		–	–	–	–	20,017	–	–	20,017	1,442	21,459
Other comprehensive income											
Currency translation differences		–	–	–	(2,465)	–	–	–	(2,465)	(274)	(2,739)
Total comprehensive income for the year		–	–	–	(2,465)	20,017	–	–	17,552	1,168	18,720
Issue of new shares		27	516	–	–	–	–	–	543	–	543
Adjustment in respect of employee share schemes		–	408	342	–	–	–	–	750	–	750
Tax on employee share schemes		–	32	118	–	–	–	–	150	–	150
Dividends paid	12	–	–	–	–	(9,905)	–	–	(9,905)	(1,016)	(10,921)
Total transactions with owners		27	956	460	–	(9,905)	–	–	(8,462)	(1,016)	(9,478)
Balance at 3 January 2016		7,286	8,191	901	(4,489)	82,829	(31,700)	919	63,937	4,938	68,875
Company											
Balance at 30 December 2013		7,216	5,885	–	–	11,922	–	71,019	96,042		
Profit for the year		–	–	–	–	10,891	–	–	10,891		
Total comprehensive income for the year		–	–	–	–	10,891	–	–	10,891		
Issue of new shares		43	794	–	–	–	–	–	837		
Adjustment in respect of employee share schemes		–	406	–	–	–	–	–	406		
Tax on employee share schemes		–	150	–	–	–	–	–	150		
Dividends paid	12	–	–	–	–	(9,343)	–	–	(9,343)		
Total transactions with owners		43	1,350	–	–	(9,343)	–	–	(7,950)		
Balance at 28 December 2014		7,259	7,235	–	–	13,470	–	71,019	98,983		
Profit for the year		–	–	–	–	13,555	–	–	13,555		
Total comprehensive income for the year		–	–	–	–	13,555	–	–	13,555		
Issue of new shares		27	516	–	–	–	–	–	543		
Adjustment in respect of employee share schemes		–	408	–	–	–	–	–	408		
Tax on employee share schemes		–	32	–	–	–	–	–	32		
Dividends paid	12	–	–	–	–	(9,905)	–	–	(9,905)		
Total transactions with owners		27	956	–	–	(9,905)	–	–	(8,922)		
Balance at 3 January 2016		7,286	8,191	–	–	17,120	–	71,019	103,616		

The notes on pages 64 to 83 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

	Notes	Group 2015 53 weeks £'000	Group 2014 52 weeks £'000	Company 2015 53 weeks £'000	Company 2014 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	24	50,960	47,626	–	–
Interest paid		(1,148)	(976)	(72)	(171)
Income tax (paid)/received		(4,553)	(5,530)	54	87
Net cash generated from/(used in) operating activities		45,259	41,120	(18)	(84)
Cash flows from investing activities					
Purchases of property, plant and equipment		(13,676)	(31,830)	–	–
Proceeds from sale of property, plant and equipment		77	129	–	–
Purchases of intangible assets		(54)	(11,599)	–	–
Interest received		97	102	–	–
Dividends received		–	–	13,600	11,000
Net cash (used in)/generated from investing activities		(13,556)	(43,198)	13,600	11,000
Cash flows from financing activities					
Proceeds from borrowings		3,336	36,193	–	–
Repayments of borrowings		(6,157)	(21,923)	–	–
Repayment of inter-company loan		–	–	(4,403)	(2,266)
Issue of ordinary shares		543	837	543	837
Dividends paid to owners of the parent		(9,905)	(9,343)	(9,905)	(9,343)
Dividends paid to non-controlling interests		(1,016)	(1,048)	–	–
Net cash (used in)/generated from financing activities		(13,199)	4,716	(13,765)	(10,772)
Net increase/(decrease) in cash and cash equivalents		18,504	2,638	(183)	144
Cash and cash equivalents at beginning of the year		35,586	34,642	333	189
Exchange losses on cash and cash equivalents		(1,284)	(1,694)	–	–
Cash and cash equivalents at end of the year	18	52,806	35,586	150	333

The notes on pages 64 to 83 are an integral part of these consolidated financial statements.

Notes to the financial statements

1 General information
Hilton Food Group plc ("the Company") and its subsidiaries (together "the Group") is a specialist retail meat packing business supplying major international food retailers in thirteen European countries and Australia. The Company's subsidiaries are listed in note 15.

The Company is a public limited company incorporated and domiciled in the UK. The address of the registered office is 2–8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE. The registered number of the Company is 06165540.

The Company maintains a Premium Listing on the London Stock Exchange.

The financial year represents the 53 weeks to 3 January 2016 (prior financial year 52 weeks to 28 December 2014).

These consolidated financial statements were approved for issue on 30 March 2016.

The Company has taken advantage of the exemption in Section 408 Companies Act 2006 not to publish its individual income statement, statement of comprehensive income and related notes. Profit for the year dealt with in the income statement of Hilton Food Group plc amounted to £13,555,000 (2014: £10,891,000).

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Basis of preparation
The consolidated financial statements of Hilton Food Group plc have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on the going concern basis. The reasons why the Directors consider this basis to be appropriate are set out in the Performance and financial review on page 21.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Basis of consolidation
These consolidated financial statements comprise the financial statements of Hilton Food Group plc ("the Company"), its subsidiaries and its share of profit in joint ventures, together, ("the Group") drawn up to 3 January 2016. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity.

All inter-company balances and transactions, including unrealised profits arising from inter-group transactions, are eliminated on consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Joint ventures are all entities which the Group exercises joint control and has an interest in the net assets of that entity. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

International Financial Reporting Standards

(a) New standards, amendments and interpretations effective in 2015

None

(b) New standards, amendments and interpretations issued but not yet effective, are subject to EU endorsement and not early adopted

Amendment to IAS 1 'Presentation of financial statements' on disclosure initiative (1 January 2016)

Amendment to IAS 7 'Statement of cash flows' on disclosure initiative (1 January 2016) (*)

Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on clarification of acceptable methods of depreciation and amortisation (1 January 2017)

Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Biological assets' regarding bearer plants (1 January 2016) (*)

Amendment to IAS 16 'Property, plant and equipment' on depreciation (1 January 2016) (*)

Amendment to IAS 19 'Employee benefits' on defined benefit plans (1 February 2015)

Amendment to IAS 27 'Separate financial statements' (1 January 2016)

Amendment to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' on sale or contribution of assets (1 January 2016) (*)

IFRS 9 'Financial instruments' and amendment to IFRS 9 'Financial instruments' on general hedge accounting (1 January 2018) (*)

Amendment to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' on investment entities applying the consolidation exemption (1 January 2016) (*)

Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation (1 January 2016)

IFRS 14 'Regulatory deferral accounts' (1 January 2016) (*)

IFRS 15 'Revenue from customers with contracts' (1 January 2018) (*)

IFRS 16 'Leases' (1 January 2019) (*)

(*) Not yet endorsed by the EU

Other than IFRS 16 none of these IFRSs, IFRIC interpretations or amendments are expected to have a material impact on the Group or the Company.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue may be increased and/or decreased by reference to a range of pre-agreed and pre-defined performance measures.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and the criteria set out in the following paragraph have been met.

The Group sells meat in the wholesale market. Sales of goods are recognised when a Group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the location specified by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Group's Executive Directors.

2 Summary of significant accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and disclosed as a separate component of equity in a foreign currency translation reserve.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate the cost of property, plant and equipment to their residual values over their estimated useful economic lives, as follows:

	Annual rate
Leasehold buildings and improvements	4%–14%
Plant and machinery	14%–33%
Fixtures and fittings	14%–33%
Motor vehicles	25%

Land is not depreciated. Assets in the course of construction are not depreciated until commissioned.

The residual value and useful economic lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful economic life.

Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and purchase of non-controlling interests is included in 'intangible assets', tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill represents the excess of the cost of the acquisition or purchase over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or non-controlling interest at the date of acquisition.

(b) Computer software

Acquired software licences are stated at cost less accumulated amortisation and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their useful economic lives of three to seven years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(c) Product licences

The costs of acquiring product licences are capitalised and amortised on a straight line basis over their expected useful economic lives of five to ten years.

Investments

Investments in subsidiary undertakings and joint ventures are carried at cost less provision for impairment.

Impairment of non-financial assets

Assets that have an indefinite useful economic life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

(a) Classification

The Group classifies all of its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(b) Recognition and measurement

Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

(c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is either determined on the first in first out basis or by the 'retail method' depending on the subsidiary. The 'retail method' computes cost on the basis of selling price less the appropriate trading margin. Cost comprises material costs, direct wages and other direct production costs together with a proportion of production overheads relevant to the stage of completion of work in progress and finished goods and excludes borrowing costs. Net realisable value represents the estimated selling price less costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for slow moving, obsolete and defective inventories.

Trade and other receivables

Trade receivables represent amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

2 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts are shown on the balance sheet within borrowings in current liabilities.

Share capital and reserves

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The share premium and employee share schemes reserve represents the premium on new shares issued in connection with and the fair value of share options outstanding under the Group's share schemes respectively.

The foreign currency translation reserve represents the cumulative currency differences arising on the translation of the Group's overseas subsidiaries.

The merger and reverse acquisition reserves arose during 2007 following the restructuring of the Group.

Trade and other payables

Trade payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Leases

Assets acquired under a lease which transfers substantially all of the risks and rewards of ownership to the Group, are capitalised as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and are depreciated over the shorter of their useful economic lives and their lease term with any impairment being recognised in accumulated depreciation. Amounts payable under such leases (finance leases), net of transaction costs, are classified as current and non-current liabilities based on the lease payment dates. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the income statement in proportion to the reducing capital element outstanding.

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. The annual rentals under operating leases are charged to the income statement as incurred on a straight line basis over the period of the lease.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge represents the expected tax payable or recoverable on the taxable profit for the year using tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pensions and other post-employment benefits

The Group operates defined contribution schemes for certain employees in the UK, Ireland, the Netherlands and Denmark and contributes to a state administered money purchase scheme in Poland. The Group pays contributions to publicly or privately administered pension insurance plans and has no further payment obligations once the contributions have been made.
The contributions are recognised as an employee benefit expense when they are due.

In the Netherlands and Sweden the Group contributes to industry-wide pension schemes for its employees. Although having some defined benefit features, the Group's liability to these schemes is limited to the fixed contributions which are recognised as an expense when they are due. Accordingly the Group has accounted for these schemes as defined contribution schemes.

Share-based payments

The Group operates a number of equity settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. All adjustments to equity are recognised as a separate component of equity in an employee share scheme reserve. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk including price risk, foreign exchange risk and cash flow interest rate risk, credit risk and liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring the foregoing risks.

(a) Market risk

(i) Price risk

The Group is not exposed to equity securities price risk as it holds no listed or other equity investments. The Group is exposed to commodity price risk which is significantly mitigated through its customer agreements which are on a cost plus or agreed packing rate basis.

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk in the normal course of business in its overseas operations, principally on transactions in Euros, Swedish Krona, Danish Krone and Polish Zloty, although such risk is mitigated as natural hedges exist in each operation through matching local currency cash flows. The Group regularly monitors foreign exchange exposure and to date has deemed it not appropriate to hedge its foreign exchange position.

(iii) Cash flow interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group seeks to manage exposure to interest rate risk through interest rate caps over the majority of its long term borrowings.

(iv) Sensitivity analysis

Group	Income statement £'000	2015 Equity £'000	Income statement £'000	2014 Equity £'000
Annual effect of a change in Group-wide interest rates by 0.5%	146	146	92	92
	-146	-146	-92	-92
Annual effect of a change in exchange rates to the GBP £ by 10%	1,871	6,317	2,056	6,202
	-1,531	-5,168	-1,682	-5,074

3 Financial risk management (continued)

(b) Credit risk

The Group is exposed to credit risk in respect of credit exposures to its retail customer partners and banking arrangements. The Group, whose only customers comprise blue chip international supermarket retailers, has implemented policies that require appropriate credit checks on potential customers before sales are made and in relation to its banking partners. The Group's maximum exposure to credit risk is £143.7m (2014: £146.8m) as stated in note 27.

(c) Liquidity risk

The Group monitors regular cash forecasts to ensure that it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities and without breaching its banking covenants. The Group held significant cash and cash equivalents of £52.8m (2014: £35.6m) and maintains a mix of long term and short term debt finance.

The Group's financial liabilities measured as the contractual undiscounted cash flows mature as follows:

	2015			2014		
	Borrowings £'000	Finance leases £'000	Trade and other payables £'000	Borrowings £'000	Finance leases £'000	Trade and other payables £'000
Less than one year	12,155	317	132,970	11,468	329	152,702
Between one and two years	11,948	326	–	7,092	337	–
Between two and five years	15,024	1,025	–	24,409	1,062	–
Over five years	–	1,286	–	–	1,732	–

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown on the consolidated balance sheet) less cash and cash equivalents. EBITDA is calculated as operating profit before significant interest, tax, depreciation and amortisation. There was gearing of nil as at the year end (2014: 18%).

Fair value estimation

The carrying value of trade receivables (less impairment provisions) and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Directors consider that there is a single level of fair value measurement hierarchy for disclosure purposes.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Some of Hilton's long term supply contracts are on a cost plus basis. IFRIC 4 requires that such arrangements are reviewed to determine whether they contain a lease. These cost plus agreements typically contain benchmarking clauses which allow our customers to obtain competitive pricing or to source its supply from a competitor. Additionally product inputs and packaging are traded in active markets which are monitored by our customers and furthermore product selling prices are updated on a frequent basis thereby resulting in pricing that is, in substance, a market price. On this basis the criteria in IFRIC 4 for determining whether these agreements contain a lease are not met.

During 2015 and 2014 there were no critical accounting estimates or other judgements in relation to the application of the Group's accounting policies.

5 Segment information

Management have determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors have considered the business from both a geographic and product perspective.

From a geographic perspective, the Executive Directors consider that the Group has seven operating segments: i) United Kingdom; ii) Netherlands; iii) Republic of Ireland; iv) Sweden; v) Denmark, vi) Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia and vii) Central costs and other including the share of profit from the joint venture in Australia. The United Kingdom, Netherlands, Republic of Ireland, Sweden and Denmark have been aggregated into one reportable segment 'Western Europe' as they have similar economic characteristics as identified in IFRS 8. Central Europe and Central costs and other comprise the other reportable segments.

From a product perspective the Executive Directors consider that the Group has only one identifiable product, wholesaling of meat. The Executive Directors consider that no further segmentation is appropriate, as all of the Group's operations are subject to similar risks and returns and exhibit similar long term financial performance.

The segment information provided to the Executive Directors for the reportable segments is as follows:

	Western Europe £'000	Central Europe £'000	Central costs and other £'000	2015 Total £'000	Western Europe £'000	Central Europe £'000	Central costs and other £'000	2014 Total £'000
Total segment revenue	1,020,844	74,165	–	1,095,009	1,018,368	82,156	–	1,100,524
Inter-segment revenue	(187)	–	–	(187)	(1,534)	–	–	(1,534)
Revenue from external customers	1,020,657	74,165	–	1,094,822	1,016,834	82,156	–	1,098,990
Operating profit/(loss) /segment result	32,107	2,255	(5,363)	28,999	27,115	2,426	(3,479)	26,062
Finance income	20	76	1	97	20	81	1	102
Finance costs	(1,066)	–	(82)	(1,148)	(667)	–	(309)	(976)
Income tax expense	(6,959)	(455)	925	(6,489)	(5,902)	(502)	766	(5,638)
Profit/(loss) for the year	24,102	1,876	(4,519)	21,459	20,566	2,005	(3,021)	19,550
Depreciation and amortisation	18,205	1,036	122	19,363	14,354	1,186	96	15,636
Additions to non-current assets	12,905	547	278	13,730	42,492	824	113	43,429
Segment assets	224,739	17,836	4,297	246,872	240,231	15,949	3,467	259,647
Current income tax assets				–				1,532
Deferred income tax assets				1,000				771
Total assets				247,872				261,950
Segment liabilities	165,283	9,411	1,976	176,670	190,316	7,521	1,163	199,000
Borrowings				–				1,442
Current income tax liabilities				673				–
Deferred income tax liabilities				1,654				1,875
Total liabilities				178,997				202,317

Sales between segments are carried out at arm's length. Revenue from external customers reported to the Executive Directors is measured in a manner consistent with that in the income statement.

The Executive Directors assess the performance of each operating segment based on its operating profit. Operating profit is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and their physical location. The liabilities are allocated based on the operations of the segment. The Group interest bearing reorganisation loan is not considered to be a segment liability.

5 Segment information (continued)

The Group has four principal customers (comprising groups of entities known to be under common control), Tesco, Ahold, Coop Danmark and ICA Gruppen. These customers are located in the United Kingdom, Netherlands, Republic of Ireland, Sweden, Denmark and Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia.

Analysis of revenues from external customers and non-current assets are as follows:

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Analysis by geographical area				
United Kingdom – country of domicile	441,673	391,139	39,784	40,200
Netherlands	257,398	266,049	9,445	10,645
Sweden	182,621	197,603	13,752	13,828
Republic of Ireland	55,880	60,289	3,999	4,351
Denmark	83,174	101,754	9,757	13,821
Central Europe	74,076	82,156	2,962	3,578
	1,094,822	1,098,990	79,699	86,423
Analysis by principal customer				
Customer 1	513,401	472,883		
Customer 2	284,560	299,779		
Customer 3	197,608	212,698		
Customer 4	81,634	99,996		
Other	17,619	13,634		
	1,094,822	1,098,990		

6 Auditors' remuneration

Services provided by the Company's auditor and its associates

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

Group	2015 £'000	2014 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	121	129
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	125	138
– Other services pursuant to legislation	47	43
– Services relating to taxation	104	59
– All other services	3	9
Total fees payable to the Company's auditors and its associates	400	378
Fees payable to other auditors in respect of services provided to subsidiary undertakings	51	53

7 Expenses by nature

Group	2015 £'000	2014 £'000
Changes in inventories of finished goods and goods for resale	1,009	407
Raw materials and consumables used	893,813	903,841
Employee benefit expense (note 8)	73,639	74,570
Depreciation and amortisation – owned assets	19,213	15,470
Depreciation and amortisation – leased assets	150	166
Repairs and maintenance expenditure on property, plant and equipment	11,178	10,894
Trade receivables – impairment	70	35
Hire of plant and machinery	888	801
Transportation expenses	10,052	10,476
Operating lease payments	6,756	7,070
Foreign exchange (gains)/losses	(217)	59
Other expenses	50,494	50,023
Total cost of sales, distribution costs and administrative expenses	1,067,045	1,073,812

8 Employee benefit expense

Group	2015 £'000	2014 £'000
Staff costs during the year		
Wages and salaries	62,383	62,450
Social security costs	7,797	8,830
Share options granted to Directors and employees	750	255
Other pension costs	2,709	3,035
	73,639	74,570

Group	2015 Number	2014 Number
Average number of persons employed (including Executive Directors) during the year by activity		
Production	2,325	2,271
Administration	587	581
	2,912	2,852

Group	2015 £'000	2014 £'000
Key management compensation (including Directors)		
Salaries and short term employee benefits, including termination benefits	3,396	3,403
Post-employment benefits	325	328
Share-based payments	525	179
	4,246	3,910

Group	2015 £'000	2014 £'000
Directors' emoluments		
Aggregate emoluments	2,640	2,161
Company contribution to money purchase pension scheme	259	252
	2,899	2,413

Further details of Directors' emoluments and share interests are given in the Directors' remuneration report.

There are no other employees of the Company other than the Directors. Employee expense of the Company amounted to £nil (2014: £nil).

9 Finance income and costs

Group	2015 £'000	2014 £'000
Finance income		
Interest income on short term bank deposits	90	97
Interest on income taxes	7	5
Finance income	97	102
Finance costs		
Bank borrowings	(920)	(765)
Finance leases	(161)	(189)
Exchange (losses)/gains on foreign currency borrowings	(3)	22
Other interest expense	(64)	(44)
Finance costs	(1,148)	(976)
Finance costs – net	(1,051)	(874)

10 Income tax expense

Group	2015 £'000	2014 £'000
Current income tax		
Current tax on profits for the year	6,787	4,795
Adjustments to tax in respect of previous years	(18)	47
Total current tax	6,769	4,842
Deferred income tax		
Origination and reversal of temporary differences	(389)	704
Adjustments to tax in respect of previous years	109	92
Total deferred tax	(280)	796
Income tax expense	6,489	5,638

Deferred tax credited directly to equity during the year in respect of employee share schemes amounted to £118,000 (2014: £265,000 charge).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the standard rate of UK Corporation Tax of 20.25% (2014: 21.5%) applied to profits of the consolidated entities as follows:

	2015 £'000	2014 £'000
Profit before income tax	27,948	25,188
Tax calculated at the standard rate of UK Corporation Tax 20.25% (2014: 21.5%)	5,659	5,415
Expenses not deductible/(income not taxable) for tax purposes	371	(37)
Adjustments to tax in respect of previous years	91	139
Profits taxed at rates other than 20.25% (2014: 21.5%)	375	133
Other	(7)	(12)
Income tax expense	6,489	5,638

There is no tax impact relating to components of other comprehensive income.

11 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Group		Basic	2015 Diluted	Basic	2014 Diluted
Profit attributable to owners of the parent	(£'000)	20,017	20,017	18,071	18,071
Weighted average number of ordinary shares in issue	(thousands)	72,748	72,748	72,379	72,379
Adjustment for share options	(thousands)	–	970	–	714
Adjusted weighted average number of ordinary shares	(thousands)	72,748	73,718	72,379	73,093
Basic and diluted earnings per share	(pence)	27.5	27.2	25.0	24.7

12 Dividends

Group and Company	2015 £'000	2014 £'000
Final dividend in respect of 2014 paid 9.5p per ordinary share (2014: 9.1p)	6,919	6,590
Interim dividend in respect of 2015 paid 4.1p per ordinary share (2014: 3.8p)	2,986	2,753
Total dividends paid	9,905	9,343

The Directors declared a second interim dividend of 9.2p which is to be paid on 1 April 2016 and propose a final dividend of 1.3p per share payable on 1 July 2016 to shareholders who are on the register at 3 June 2016. These dividends totalling £7.7m have not been recognised as a liability in these consolidated financial statements.

13 Property, plant and equipment

Group	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 30 December 2013	26,162	153,085	11,151	311	190,709
Exchange adjustments	(909)	(9,319)	(636)	(3)	(10,867)
Additions	13,176	17,473	1,165	16	31,830
Reclassification	(754)	3,344	(2,672)	82	–
Disposals	–	(4,368)	(454)	(109)	(4,931)
At 28 December 2014	37,675	160,215	8,554	297	206,741
Accumulated depreciation					
At 30 December 2013	16,328	106,567	8,805	133	131,833
Exchange adjustments	(535)	(6,364)	(476)	(1)	(7,376)
Charge for the year	1,966	11,391	1,006	74	14,437
Reclassification	(492)	2,582	(2,090)	–	–
Disposals	–	(4,265)	(443)	(87)	(4,795)
At 28 December 2014	17,267	109,911	6,802	119	134,099
Net book amount					
At 30 December 2013	9,834	46,518	2,346	178	58,876
At 28 December 2014	20,408	50,304	1,752	178	72,642
Cost					
At 29 December 2014	37,675	160,215	8,554	297	206,741
Exchange adjustments	(724)	(5,167)	(250)	(1)	(6,142)
Additions	3,521	9,391	755	9	13,676
Reclassification	–	(235)	53	–	(182)
Disposals	(1,464)	(561)	(88)	(7)	(2,120)
At 3 January 2016	39,008	163,643	9,024	298	211,973
Accumulated depreciation					
At 29 December 2014	17,267	109,911	6,802	119	134,099
Exchange adjustments	(460)	(3,573)	(188)	–	(4,221)
Charge for the year	3,737	12,219	860	68	16,884
Reclassification	–	(72)	21	–	(51)
Disposals	(1,464)	(406)	(91)	(7)	(1,968)
At 3 January 2016	19,080	118,079	7,404	180	144,743
Net book amount					
At 3 January 2016	19,928	45,564	1,620	118	67,230

Land and buildings are held under short leaseholds. Details of bank borrowings secured on assets of the Group are given in note 19. Depreciation charges are included within administrative expenses in the income statement.

The cost and net book amount of property plant and equipment in the course of its construction included above comprise plant and machinery £1,654,000 (2014: £1,209,000).

Property, plant and equipment include the following amounts where the Group is a lessee under a finance lease:

	2015 £'000	2014 £'000
Cost – capitalised finance leases	3,011	3,195
Accumulated depreciation	(1,794)	(1,742)
Net book amount	1,217	1,453

Included in assets held under finance leases are land and buildings with a net book amount of £1,217,000 (2014: £1,453,000).

14 Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost				
At 30 December 2013	8,833	4,441	836	14,110
Exchange adjustments	(977)	(475)	–	(1,452)
Additions	11,449	150	–	11,599
At 28 December 2014	19,305	4,116	836	24,257
Accumulated amortisation				
At 30 December 2013	7,789	3,661	–	11,450
Exchange adjustments	(525)	(414)	–	(939)
Charge for the year	892	307	–	1,199
At 28 December 2014	8,156	3,554	–	11,710
Net book amount				
At 30 December 2013	1,044	780	836	2,660
At 28 December 2014	11,149	562	836	12,547
Cost				
At 29 December 2014	19,305	4,116	836	24,257
Exchange adjustments	(560)	(137)	–	(697)
Additions	–	54	–	54
Reclassifications	–	182	–	182
Disposals	–	(123)	–	(123)
At 3 January 2016	18,745	4,092	836	23,673
Accumulated amortisation				
At 29 December 2014	8,156	3,554	–	11,710
Exchange adjustments	(408)	(109)	–	(517)
Charge for the year	2,142	337	–	2,479
Reclassifications	–	51	–	51
Disposals	–	(123)	–	(123)
At 3 January 2016	9,890	3,710	–	13,600
Net book amount				
At 3 January 2016	8,855	382	836	10,073

Amortisation charges are included within administrative expenses in the income statement.

15 Investments

Investments in subsidiaries

Investments in subsidiary undertakings are recorded at cost, which is the fair value of consideration paid.

Company	2015 £'000	2014 £'000
At 29 December 2014 and 3 January 2016	102,985	102,985

The subsidiary undertakings of the Group are:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	(%) Proportion of ordinary shares held by Parent	Group
Hilton Foods UK Limited	Northern Ireland	Specialist meat packing	–	100
Hilton Meats Zaandam BV	Netherlands	Specialist meat packing	–	80
Hilton Foods (Ireland) Limited	Republic of Ireland	Specialist meat packing	–	100
HFG Sverige AB	Sweden	Specialist meat packing	–	100
Hilton Foods Danmark A/S	Denmark	Specialist meat packing	–	100
Hilton Foods Ltd Sp zoo	Poland	Specialist meat packing	–	100
Hilton Food Solutions Limited	England & Wales	Meat trading	–	55
Hilton Foods Limited	Northern Ireland	Holding company	100	–
Hilton Meats Holland Limited	Northern Ireland	Holding company	–	80
Hilton Food Group (Europe) Limited	Northern Ireland	Holding company	–	100
Hilton Foods Asia Pacific Limited	England & Wales	Holding company	–	100
Hilton Food.com Limited	Northern Ireland	Dormant	–	100

All subsidiary undertakings are included in the consolidation. The Company's voting rights in its subsidiary undertakings are the same as its effective interest in its subsidiary undertakings.

Investments in joint ventures

The Group uses the equity method of accounting for its interest in joint ventures. The aggregate movement in the Group's investments in joint ventures is as follows:

Group	2015 £'000	2014 £'000
At 29 December 2014	1,234	405
Profit for the period	1,222	884
Effect of movements in foreign exchange	(60)	(55)
At 3 January 2016	2,396	1,234

Where relevant, management accounts for the joint venture have been used to include the results up to 3 January 2016. The Group's share of the net assets, income and expenses of the joint venture are detailed below:

	2015 £'000	2014 £'000
Net assets	2,396	1,234
Income	1,711	1,744
Expenses	(1)	(481)
Taxation	(488)	(379)
Profit after tax	1,222	884

The joint venture of the Group is:

Joint venture	Country of incorporation or registration	Nature of business	(%) Proportion of ordinary shares held by Parent	Group
Woolworths Meat Co. Pty Ltd	Australia	Specialist meat packing	–	50

16 Inventories

Group	2015 £'000	2014 £'000
Raw materials and consumables	15,192	17,846
Finished goods and goods for resale	3,080	4,183
	18,272	22,029

The cost of inventories recognised as an expense and included in cost of sales amounted to £894,822,000 (2014: £904,248,000). The Group charged £289,000 in respect of inventory write-downs (2014: £201,000). The amount charged has been included in cost of sales in the income statement.

17 Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables	85,869	105,345	–	–
Less: provision for impairment of trade receivables	(165)	(213)	–	–
Trade receivables – net	85,704	105,132	–	–
Amounts owed by Group undertakings	–	–	470	53
Amounts owed by related parties (see note 26)	605	33	–	–
Other receivables	4,628	6,028	–	–
Prepayments	5,158	4,416	–	–
	96,095	115,609	470	53

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
Currency	2015 £'000	2014 £'000	2015 £'000	2014 £'000
UK Pound	16,262	32,683	470	53
Euro	46,866	48,299	–	–
Swedish Krona	19,033	20,636	–	–
Danish Krone	9,464	11,092	–	–
Polish Zloty	3,865	2,866	–	–
Australian Dollar	605	33	–	–
	96,095	115,609	470	53

The fair values of trade and other receivables are the same as their carrying value. The maximum exposure to credit risk is the fair value of each class of receivable mentioned above.

Trade receivables impaired and the amount of the impairment provision was £165,000 (2014: £213,000). The individually impaired receivables mainly relate to invoices which are in dispute. It was assessed that a portion of the receivables is expected to be recovered. The trade receivables that were impaired were all overdue by more than six months. There were no other trade receivables which were overdue. The other classes within trade and other receivables do not contain impaired assets. The trade receivables which are not impaired or overdue are all less than 30 days old.

Movements on the provision for impairment of trade receivables are as follows:

Group	2015 £'000	2014 £'000
At 29 December 2014	213	48
Provision for receivables impairment	136	375
Receivables written off during the year as uncollectable	(181)	(207)
Exchange differences	(3)	(3)
At 3 January 2016	165	213

18 Cash and cash equivalents

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash at bank and on hand	52,806	35,586	150	333

19 Borrowings

Group	2015 £'000	2014 £'000
Current		
Bank borrowings	11,562	10,531
Finance lease liabilities	166	156
	11,728	10,687
Non-current		
Bank borrowings	26,428	30,304
Finance lease liabilities	1,977	2,269
	28,405	32,573
Total borrowings	40,133	43,260

Due to the frequent re-pricing dates of the Group's loans, the fair value of current and non-current borrowings is approximate to their carrying amount.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	2015 £'000	2014 £'000
UK Pound	25,080	30,737
Euro	2,144	2,425
Swedish Krona	12,909	10,098
	40,133	43,260

Borrowings are repayable in quarterly instalments by 2019. Interest on borrowings in Sterling is charged at LIBOR plus 1.6% subject to interest rate caps over £12m of borrowings where LIBOR is capped at 2.5%. Interest on borrowings in Swedish Krona is charged at STIBOR plus 1.6% subject to interest rate caps over SEK 75m of borrowings where STIBOR is capped at 3%.

Bank borrowings totalling £37,989,000 (2014: £40,835,000) are secured by fixed and floating charges over the assets of the individual Group borrowers and through joint and several guarantees from each active Group undertaking.

The Group has undrawn overdraft and loan borrowing facilities of £28.3m (2014: £46.5m) which expire after one year.

The undiscounted contractual maturity profile of the Group's borrowings is described in note 3.

The minimum lease payments and present value of finance lease liabilities is as follows:

	Minimum lease payments		Present value	
Group	2015 £'000	2014 £'000	2015 £'000	2014 £'000
No later than one year	317	329	166	156
Later than one year and no later than five years	1,351	1,398	1,977	2,269
Later than five years	1,282	1,732	–	–
	2,950	3,459	2,143	2,425
Future finance charges on finance leases	(807)	(1,034)	–	–
Present value of finance lease liabilities	2,143	2,425	2,143	2,425

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The fair value of the Group's finance lease liabilities is £2,843,000 (2014: £3,315,000). The fair values are based on cash flows discounted using the European Central Bank benchmark main refinancing operations fixed interest rate of 0.05% (2014: 0.05%).

Notes to the financial statements continued

20 Trade and other payables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade payables	114,072	133,284	–	–
Amounts owed to Group undertakings	–	–	–	4,403
Social security and other taxes	3,567	4,480	–	–
Accruals and deferred income	18,898	19,418	–	15
	136,537	157,182	–	4,418

The fair value of trade and other payables are the same as their carrying value.

21 Deferred income tax

Group	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 31 December 2012	(686)	540	(146)
Exchange differences	103	–	103
Income statement credit	(808)	12	(796)
Adjustment in respect of employee share schemes	–	(265)	(265)
At 29 December 2013	(1,391)	287	(1,104)
Exchange differences	52	–	52
Income statement (charge)/credit	178	102	280
Adjustment in respect of employee share schemes	–	118	118
At 28 December 2014	(1,161)	507	(654)

The following is the reconciliation of the deferred tax balances in the balance sheet:

Group	2015 £'000	2014 £'000
Deferred tax liabilities	(1,654)	(1,875)
Deferred tax assets	1,000	771
	(654)	(1,104)

Other timing differences principally relate to share-based payments. The deferred income tax liability above includes £150,000 (2014: £150,000) which is estimated to reverse within 12 months. The deferred income tax asset above is not expected to reverse within 12 months.

22 Ordinary shares

	Number of shares (thousands)	Group		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Issued and fully paid ordinary shares of 10p each					
At 29 December 2014	72,588	7,259	7,216	7,259	7,216
Issue of new shares relating to employee incentive schemes	274	27	43	27	43
At 3 January 2016	72,862	7,286	7,259	7,286	7,259

All ordinary shares of 10p each have equal rights in respect of voting, receipt of dividends and repayment of capital.

23 Share-based payment

Executive share option scheme

Under the Group's executive share option scheme share options are granted to Executive Directors and to selected senior employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options are exercisable starting three years from the grant date subject to the Group achieving its target growth in earnings per share over the period plus 3%. The options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

All employee sharesave scheme

These schemes are open to all eligible employees of the Group (including the Executive Directors) who make regular savings over a three year period. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options are exercisable starting three years from the grant date and must be exercised within six months thereafter. No performance conditions are attached to the options granted under the scheme.

Long Term Incentive Plan (LTIP)

Under the Group's Long Term Incentive Plan nil cost share options are granted to Executive Directors and to selected senior employees. The options are exercisable starting three years from the grant date subject to the Group achieving a minimum earnings per share compound growth target. Awards will vest on a sliding scale with 10%-25% of the maximum award applied at the minimum EPS growth target of 5%-8% per year with the full award vesting where EPS growth is at least 10%-18% per year. The options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	Executive share option		Sharesave		Long Term Incentive	
	Options ('000)	Exercise price (pence)	Options ('000)	Exercise price (pence)	Options ('000)	Exercise price (pence)
At 30 December 2013	1,601	210.54	–	–	1,906	–
Granted	–	–	472	464	507	–
Exercised	(431)	194.18	–	–	–	–
Lapsed	–	–	(41)	464.94	(24)	–
At 28 December 2014	1,170	216.56	431	463.54	2,389	–
Granted	–	–	348	420.00	577	–
Exercised	(274)	198.28	–	–	–	–
Lapsed	–	–	(191)	460.27	(1,278)	–
At 3 January 2016	896	222.16	588	438.83	1,688	–

Share options outstanding at the end of the year have the following expiry date and exercise prices:

				Number options	
Expiry date	Type of scheme	Status	Exercise price (pence)	2015 ('000)	2014 ('000)
October 2017	Sharesave	Not exercisable	460.25	254	359
December 2017	Sharesave	Not exercisable	480.00	14	72
December 2018	Sharesave	Not exercisable	420.00	320	–
May 2018	Executive share option	Exercisable	199.50	134	249
May 2019	Executive share option	Exercisable	174.75	212	321
May 2020	Executive share option	Exercisable	246.00	550	600
June 2022	Long Term Incentive Plan	Lapsed	nil cost	–	1,147
May 2023	Long Term Incentive Plan	Not exercisable	nil cost	657	759
April 2024	Long Term Incentive Plan	Not exercisable	nil cost	457	483
April 2025	Long Term Incentive Plan	Not exercisable	nil cost	574	–

The fair value of options granted during 2015 determined using the Black-Scholes valuation model ranged from 68p to 390p per option. The significant inputs into the model were the exercise price shown above, volatility of 27% based on a comparison of similar listed companies, dividend yield of 3%, an expected option life of four years, and an annual risk-free interest rate ranging from 0.87% to 0.68%. See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

Notes to the financial statements continued

24 Cash generated from operations

Group	2015 £'000	2014 £'000
Profit before income tax	27,948	25,188
Finance costs – net	1,051	874
Operating profit	28,999	26,062
Adjustments for non-cash items:		
Share of post tax profits of joint venture	(1,222)	(884)
Depreciation of property, plant and equipment	16,884	14,437
Amortisation of intangible assets	2,479	1,199
Loss on disposal of non-current assets	75	7
Adjustment in respect of employee share schemes	750	255
Changes in working capital:		
Inventories	3,126	424
Trade and other receivables	16,283	(112)
Prepaid expenses	(744)	592
Trade and other payables	(15,150)	3,947
Accrued expenses	(520)	1,699
Cash generated from operations	50,960	47,626

The parent company has no operating cash flows.

25 Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Property, plant and equipment	688	2,547	–	–

(b) Operating lease commitments

The Group leases various properties under non-cancellable operating lease arrangements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Plant and equipment	
Group	2015 £'000	2014 £'000	2015 £'000	2014 £'000
No later than one year	5,658	6,019	1,001	802
Later than one year and no later than five years	12,518	15,043	1,828	2,025
Later than five years expiring 2021 to 2026	15,718	19,229	45	36
	33,894	40,291	2,874	2,863

26 Related party transactions and ultimate controlling party

The Directors do not consider there to be one ultimate controlling party. The companies noted below are all deemed to be related parties by way of common Directors.

Sales made on an arm's length basis on normal credit terms to related parties during the year were as follows:

Group	2015 £'000	2014 £'000
Woolworths Limited and subsidiaries–recharge of joint venture costs	1,581	1,245

Amounts owing from related parties at the year end were as follows:

	Owed from related parties	
Group	2015 £'000	2014 £'000
Woolworths Limited and subsidiaries	605	33

The Company's related party transactions with other Group companies during the year were as follows:

Company	2015 £'000	2014 £'000
Hilton Foods Limited – dividend received	13,600	11,000
Hilton Foods Limited – interest expense	56	140
Hilton Foods UK Limited – payment for group relief	30	53

At the year end £439,000 was owed by Hilton Foods Limited (2014: £4,403,000 owed to Hilton Foods Limited) and £31,000 (2014: £53,000) was owed by Hilton Foods UK Limited.

Details of key management compensation are given in note 8.

27 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
Group	2015 £'000	2014 £'000
Assets as per balance sheet		
Trade and other receivables	90,937	111,193
Cash and cash equivalents	52,806	35,586
	143,743	146,779

	Other financial liabilities at amortised cost	
Group	2015 £'000	2014 £'000
Liabilities as per balance sheet		
Trade and other payables	132,970	152,702
Borrowings	40,133	43,260
	173,103	195,962

In addition to the above, amounts owed to the Company by Group undertakings of £31,000 (2014: £53,000) are classified as 'loans and receivables' and amounts owed to the Company by Group undertakings of £439,000 (2014: £4,403,000 owed by the Company) are classified as 'other financial liabilities at amortised cost'.

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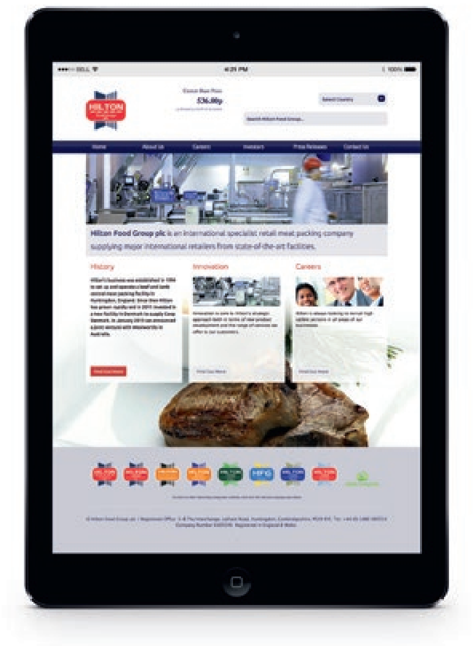

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