

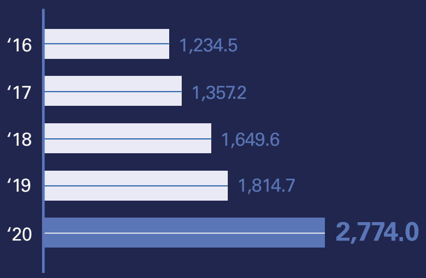

The leading specialist international food packing business

HILTON FOOD GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
2020

FINANCIAL HIGHLIGHTS

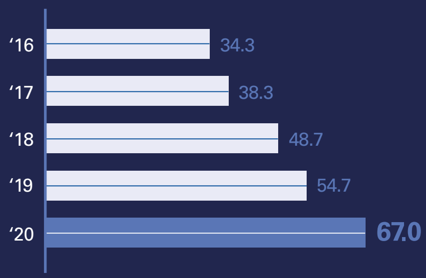
REVENUE (£M)

£2,774.0m



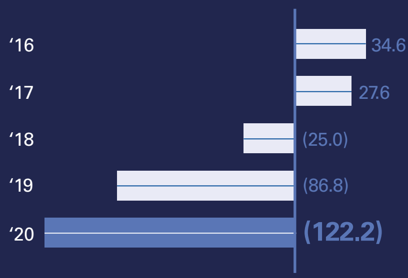
ADJUSTED OPERATING PROFIT (£M)

£67.0m



NET BANK CASH/(DEBT)** (£M)

£(122.2)m



STRATEGIC HIGHLIGHTS

- Turnover up 50.0%* with strong growth in Australia arising from:
  - Joint venture transition period concluded with purchase of assets relating to the joint venture
  - A full year of the state-of-the art facility in Brisbane, Queensland
- New facility opened in Belgium for Ahold Delhaize with volume ramp up under way
- New Zealand facility scheduled to open in Q3 this year
- Committed to setting science-based target through the Science Based Targets initiative and signed the Business Ambition for 1.5°C pledge to net-zero by 2050
- Continued growth in protein diversification into plant-based, seafood and convenience foods

OPERATING HIGHLIGHTS

- Strong response to Covid-19 ensuring continuous supply to our retailer partners, keeping our factories open and our colleagues safe
- Volume growth of 23.8%* within which Australia grew 107.9%* and Europe grew 8.5%*
- Adjusted operating profit £67.0m up 20.0%* and basic earnings per share 55.4p up 18.0%*
- Strong operating cash generation of £91.7m up 30.5% supporting a robust balance sheet
- Significant £95.5m investment in facilities to support future growth

* On a 52 week constant currency basis

** Excluding lease liabilities

Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation and exceptional items and also IFRS 16 lease adjustments as detailed in the Alternative performance measures note 31.

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Hilton Food Group plc, the leading specialist international food packing business, announces its results for the 53 weeks to 3 January 2021.

We are extremely proud of the commitment and resilience shown by the entire Hilton team during 2020 to adapt quickly to the challenges caused by Covid-19 in order to safeguard our people, keep our facilities open and support our customers.

This response underpinned a strong performance with both volume and profit growth and we concluded our joint venture transition period in Australia and purchase of the related joint venture assets while marking our one year anniversary of the opening of our Queensland facility. In Europe we set up a new facility in Belgium during the year to supply Delhaize and continued to further diversify our product offering in the plant-based, seafood and convenience categories.

As with all businesses there remain some uncertainties concerning the full impact of Covid-19, including potential recessionary risks, but our robust and sustainable business model and wide geographical spread make us believe we are well placed to meet any future challenges.

Where we operate

UNITED KINGDOM

Location: **HUNTINGDON**
Op Co: **Hilton Food Group plc/ Hilton Foods UK/ Hilton Food Solutions** 1
Commenced production: **1994**

Location: **GRIMSBY**
Op Co: **Hilton Seafood UK** 2
Acquired: **2017**

Location: **WEDNESBURY**
Op Co: **SV Cuisine** 3
Acquired: **2019**

Location: **LONDONDERRY**
Op Co: **Foods Connected** 4
Commenced joint venture: **2017**

NETHERLANDS

Location: **ZAANDAM**
Op Co: **Hilton Foods Holland** 5
Commenced production: **2000**

Locations: **OSS AND OOSTERHOUT**
Op Co: **Dalco Food** 6
Commenced joint venture: **2019**

DENMARK

Location: **AARHUS**
Op Co: **Hilton Foods Danmark** 7
Commenced production: **2011**

SWEDEN

Location: **VASTERAS**
Op Co: **HFG Sverige** 8
Commenced production: **2004**

IRELAND

Location: **DROGHEDA**
Op Co: **Hilton Food Ireland** 9
Commenced production: **2004**

PORTUGAL

Location: **SANTAREM**
Op Co: **SOHI Meat Solutions** 10
Commenced joint venture: **2017**

CENTRAL EUROPE

Location: **TYCHY, POLAND**
Op Co: **Hilton Foods Poland** 11
Commenced production: **2006**

BELGIUM

Locations: **GHENT**
Op Co: **Hilton Foods Belgium** 15
Commenced production: **2020**

AUSTRALIA

Locations: **BUNBURY & MELBOURNE**
Op Co: **Hilton Foods Australia** 13
Commenced joint venture: **2013**
Transition to Hilton: **2020**

Location: **BRISBANE**
Op Co: **Hilton Foods Australia** 14
Commenced production: **2019**

NEW ZEALAND

Location: **AUCKLAND**
Op Co: **Hilton Foods New Zealand** 12
Under construction

EMPLOYEES

5,391

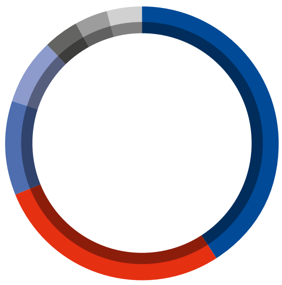
ANNUAL TURNOVER

£2,774.0m

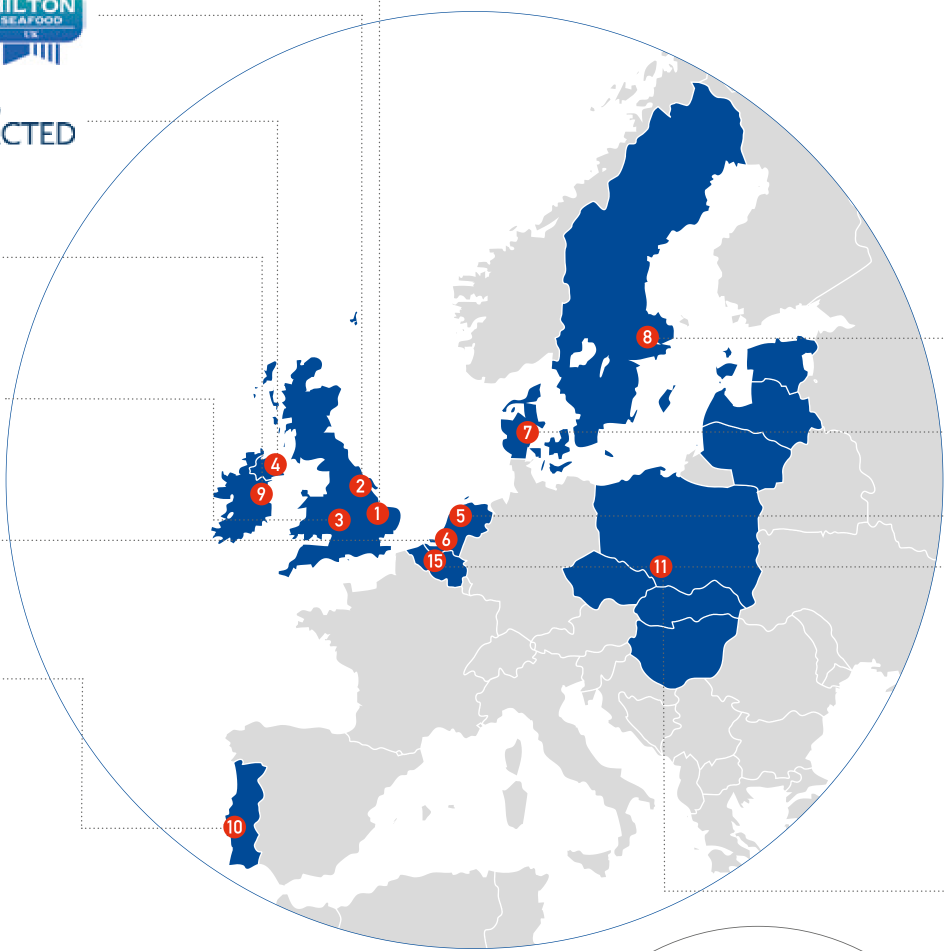
PRODUCTION FACILITIES

18

REVENUE BY LOCATION



United Kingdom	41%
Australia	28%
The Netherlands	11%
Sweden	8%
Denmark	4%
Central Europe	4%
Ireland	4%
Belgium	0%


HILTON Food Group plc
HILTON FOODS UK
HILTON Food Solutions
HILTON SEAFOOD UK
FOODS CONNECTED
HILTON FOODS Ireland
SVCuisine
Dalco food
SOHI MEAT SOLUTIONS
HFG Sverige
HILTON FOODS Danmark
HILTON FOODS Holland
HILTON FOODS Belgium
HILTON FOODS Poland
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HILTON FOODS Australia
HILTON FOODS Australia
HILTON FOODS New Zealand
FOODS CONNECTED
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Strategic Report

IN THIS SECTION

For more information visit
www.hiltonfoodgroupplc.com

Chairman's introduction

Volumes grew strongly in Australia as well as the shift to home consumption."

ROBERT WATSON, OBE
CHAIRMAN

Feeding the nation during a global pandemic

The Covid-19 outbreak continues to present major challenges across the globe with ongoing uncertainty over its longevity and impact. We have therefore continued to partner with grocery retailers to help ensure the nation is fed. As part of the global food supply chain we were tasked with protecting our people, keeping our facilities open and supporting our retailer partners. All of our facilities remained fully operational and without interruption throughout the year. Lockdown including travel restrictions resulted in more cooking at home thereby creating higher demand for our products. Hilton's performance has therefore been a continuation of our business growth albeit at an increased level of activity together with specific measures introduced to manage our exposure to the virus. There has been continuous communication with key suppliers to ensure the continued supply of goods and services as well as alignment with our customers in our response. We are extremely proud of the commitment and resilience shown by the entire Hilton team to adapt quickly to the challenges caused by Covid-19 in order to safeguard our people, keep our facilities open and support our customers.

The health and wellbeing of our people is paramount. We established all necessary protocols to protect them and minimise contact, prioritising those that are most vulnerable to Covid-19. Travel by our colleagues was strictly managed and visitors minimised as were all movements within our facilities. Our office-based staff were able to quickly switch to effective remote working from home being supported as required including use of virtual meeting software with minimal business disruption. The introduction of these measures increased our costs although this was partly offset by lower travel costs.

We have not sought or received any governmental assistance or support including no use of furlough in our production facilities. There have been no redundancies and no Covid-related changes to employee pay and conditions save that we have continued to support our employees during self-isolation. In addition, there have been no commercial changes in trading with our suppliers and customers.

We are dependent on our key suppliers to maintain a continued supply of raw material and packaging materials and we are in daily contact with them to manage availability and identify key critical product lines which must be delivered and those that could be postponed.

Strategic progress

We have continued to make good progress with our strategic growth initiatives expanding both geographically and across the proteins. Our working relationship with Woolworths in Australia has evolved further with the end of the joint venture transition period and purchase of the assets relating to the joint venture. We reached agreement with Delhaize, a leading retailer in Belgium, to pack all its red meat requirements and operations started from an existing site in October 2020. This project represents a further extension of our working relationship with Ahold Delhaize. Development of our new facility in New Zealand is scheduled to open in Q3 this year. Our joint ventures continue to perform well with Dalco adding new customers and extending product ranges into new categories such as convenience foods and ready meals. Foods Connected continues to innovate and improve its software solutions offering with supply chain mapping a major focus area to help build greater transparency and developing a traceability tool for use in multiple supply chains.

We continue to successfully execute our strategy to grow and diversify and we continue to explore opportunities to develop our cross-category business in both domestic and overseas markets as well as applying our state-of-the-art skills and experience to deliver value to our customers.

For more information visit
www.hiltonfoodgroupplc.com

Chairman's introduction
continued

Group performance

In 2020 volumes grew strongly in Australia as well as benefitting from the shift to home consumption arising from the pandemic maintaining a trend of continuous growth achieved in every year since Hilton's flotation in 2007. There was strong growth in operating profit despite Covid related costs and earnings per share. We continued to invest in people and infrastructure to support future growth across the Group.

Hilton generated strong operating cash flows during 2020 with, as expected, further significant investment in our facilities to increase capacity, improve operational efficiency and offer innovative solutions to our retailer partners. Hilton remains financially strong with significant cash balances and undrawn committed bank facilities operating well within our banking covenants.

Dividend policy

The Group has maintained a progressive dividend policy since flotation. The Board is satisfied that the Group has adequate headroom under its existing facilities and that it is appropriate to continue to operate this dividend policy. With the proposed final dividend of 19.0p per ordinary share, total dividends in respect of 2020 will be 26.0p per ordinary share, an increase of 21.5% compared to last year.

TOTAL DIVIDEND PER ORDINARY SHARE

26.0p

Our Board, purpose and governance

The Hilton Board is responsible for the long-term success of the Group and establishing its purpose, values and strategy aligned with its desired culture. Our purpose is to create efficiency and flexibility in the food supply chain through innovative and sustainable food manufacturing and supply chain solutions with the ambition to be the first choice partner for food retailers seeking excellence, insight and growth.

To achieve this the Board has an appropriate mix of skills, depth and diversity and a range of practical business experience, which is available to support and guide our management teams across a wide range of countries as well as having in place succession planning and maintaining a talent pipeline.

I was delighted to welcome Rebecca Shelley to the Hilton Board as an Independent Non-Executive Director on 1 April 2020. Her market-facing investor relations and communications skills and experience in food and retail sectors further strengthens our capabilities. I would like to thank my colleagues on the Board for their support, counsel and expertise during the year.

We remain committed to achieving good governance balanced against our desire to preserve an agile and entrepreneurial approach.

The Board takes its responsibilities very seriously to promote the success of the Company for the benefit of its stakeholders as a whole. We take the interests of our workforce and other stakeholders fully into account in Board discussions and decision making. Details of the Group's policies and procedures that have been implemented to enhance stakeholder and workforce engagement, which explain how these interests have influenced our decisions, are set out in the governance section of our Annual report.

Sustainability

Sustainability is at the heart of how we do business. We are actively engaging in dialogue with internal and external stakeholders, including NGOs, in order to ensure that our strategy is delivering and our reporting is clear and transparent. Globally the demands required by society in order to deliver a balanced, healthy and sustainable food supply chain are continuing to focus our attention. As a business we are committed to rising to these challenges and delivering for our customers. Our commitments include reducing the weight, and creating circular recycling of our packaging, achieving verified zero net deforestation for our raw materials, setting science-based targets to achieve net zero carbon across all of the food types we produce, and delivery of the UN Sustainable Development Goals relating to food produced on land and from the oceans.

Outlook and current trading

Hilton's operating performance since the beginning of 2021 has been in line with the Board's expectations. We continue to explore opportunities for further expansion in our domestic and overseas markets.

The Covid-19 outbreak continues to present major challenges across the globe and represents an ongoing risk for all our businesses. We can be confident that, with the roll-out of a vaccination programme, it should be possible during 2021 to start to ease the necessary measures we have introduced to manage our exposure to, and mitigate the impact of, this pandemic.

Hilton was not significantly impacted by the UK's departure from the EU.

Our short and medium term growth prospects are underpinned by previously announced new facilities in Belgium and New Zealand as well as further opportunities arising across our markets by the development of our cross-category business and the application of our supply chain management expertise.

Annual General Meeting

This year's AGM will be held at Hilton's offices at 2-8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE in a hybrid format on 24 May 2021 at noon. Please refer to our website at www.hiltonfoodgroupplc.com/en/investors/shareholder-meeting-documents/ for further guidance which will be regularly updated as the AGM date approaches. Once again I would strongly encourage all shareholders to submit their proxy votes.

Robert Watson OBE
Chairman
6 April 2021

Chief Executive's summary

Our employees showed extraordinary dedication and resilience during the most challenging and unprecedented times."

PHILIP HEFFER
CHIEF EXECUTIVE OFFICER

4 OUR FOUR KEY STRATEGIC OBJECTIVES

1. Growing volumes and extending product ranges supplied and services provided to its existing customers;
2. Optimising use of assets and investing in new technology to deliver competitive advantage to our customers;
3. Maintaining a vigilant focus on food safety and integrity and reducing unit costs, while improving product quality and service provision; and
4. Entering new territories and markets either with new customers or in partnership with our existing customers.

Managing through the pandemic

I would like to thank our employees for their extraordinary dedication and resilience during these most challenging and unprecedented times. I continue to be amazed and proud of the energy our teams always deliver and there can be no doubt that every one of our employees has gone the extra mile throughout the Covid-19 pandemic.

It is with much sadness that I announce the loss of two colleagues earlier this year in Hilton Seafood. Our thoughts are very much with their families who we continue to support at this most difficult of times. We also pass on our heartfelt condolences to all of our colleagues who have lost loved ones during this dreadful pandemic.

Strategic objectives

Our strategy continues to be to support our customers' brands and their development in local markets thereby achieving long-term sustainable customer and shareholder value.

This approach combined with a strong reputation, well-invested modern facilities and a robust balance sheet has generated growth over many years. We will continue to pursue both geographical expansion and range extension, 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 supporting our customers and the successful development of their brands. We have successfully expanded our product range into new proteins and categories such as seafood, vegetarian, sous vide, food service and fresh convenience foods. We are responding to the Covid-19 challenge of protecting our people, feeding the nation and supporting the demands of our customers.

Business model

The Hilton business model is well proven and sustainable, whilst being relatively simple and straightforward. We build and operate large scale, extensively automated and robotised food processing, packing and logistics facilities for major international retailers largely on a dedicated basis. Through economies of scale we are able to secure significant efficiency savings for our customers whilst retaining a competitive margin. Our business is based on a total partnership approach with customers and suppliers forged over many years. The wide geographical spread of the Group's operations is a significant strength of our business model. Hilton is well placed in the current Covid climate as we almost exclusively serve the retail sector.

We operate facilities in eight European countries and three facilities in Australia, each run by a local management team enhanced by specialist central leadership, expertise, advice and support. Our businesses operate under the terms of long-term supply agreements with our retailer partners, either on a cost plus, packing rate or volume-based reward basis. These contractual arrangements, combined with our customer dedication, serve to maximise achievable volume throughput whilst minimising unit packing costs thereby delivering value to our customers. In Portugal and the Netherlands, facilities are operated under joint venture companies in which we share the profits. Products from our facilities are sold in fourteen European countries and Australia.

Raw materials are sourced, in conjunction with our retail partners, from a combination of 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. 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.

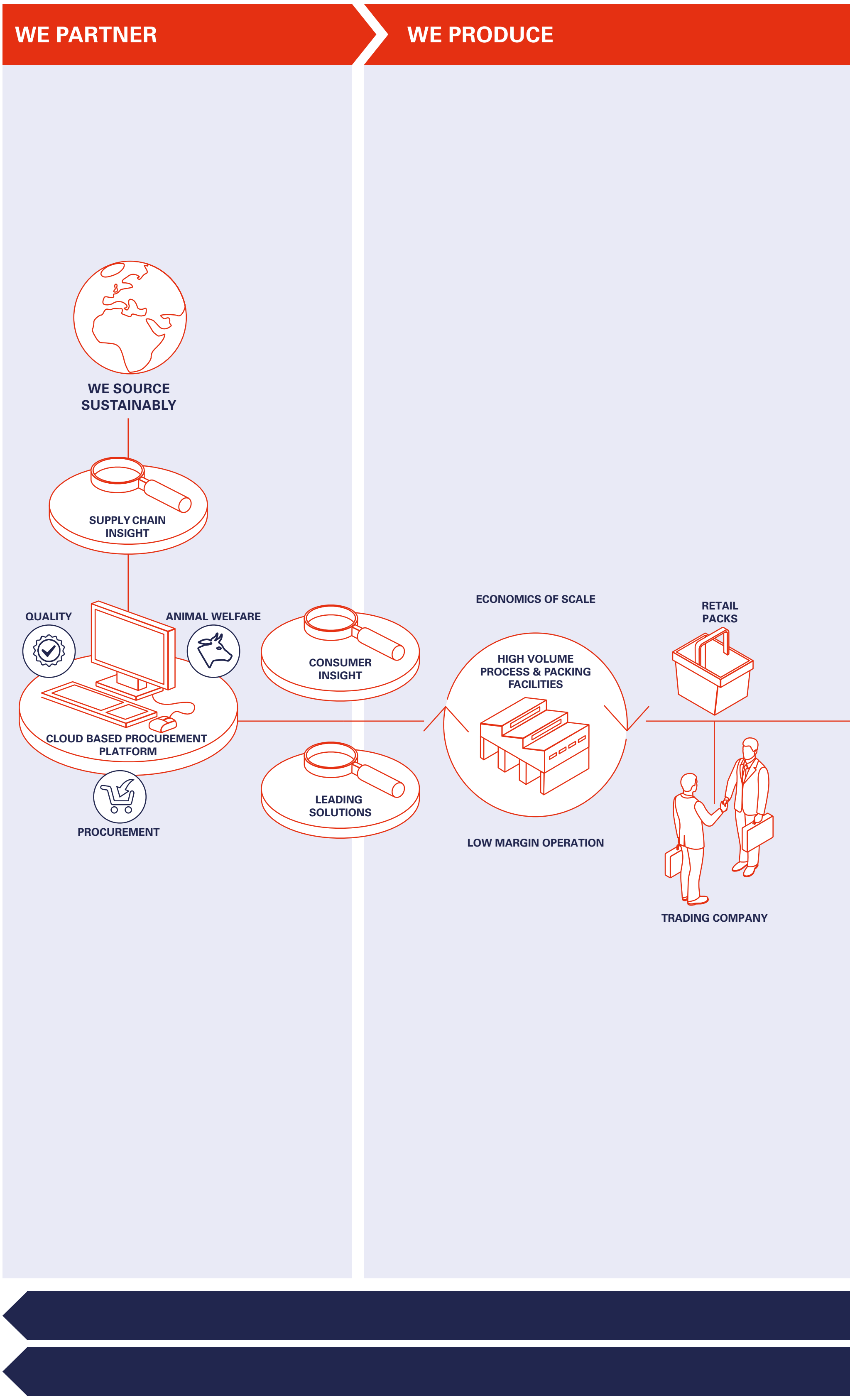
For more information visit
www.hiltonfoodgroupplc.com

Chief Executive's summary continued

OUR BUSINESS MODEL

The Hilton business model is proven and sustainable, whilst being relatively simple and straightforward.

- A total partnership approach with customer and suppliers
- Raw materials sourced locally and internationally from proven suppliers
- Processed and packed in large scale, highly automated facilities using advanced robotics
- Delivered to retailers' distribution centres or direct to stores



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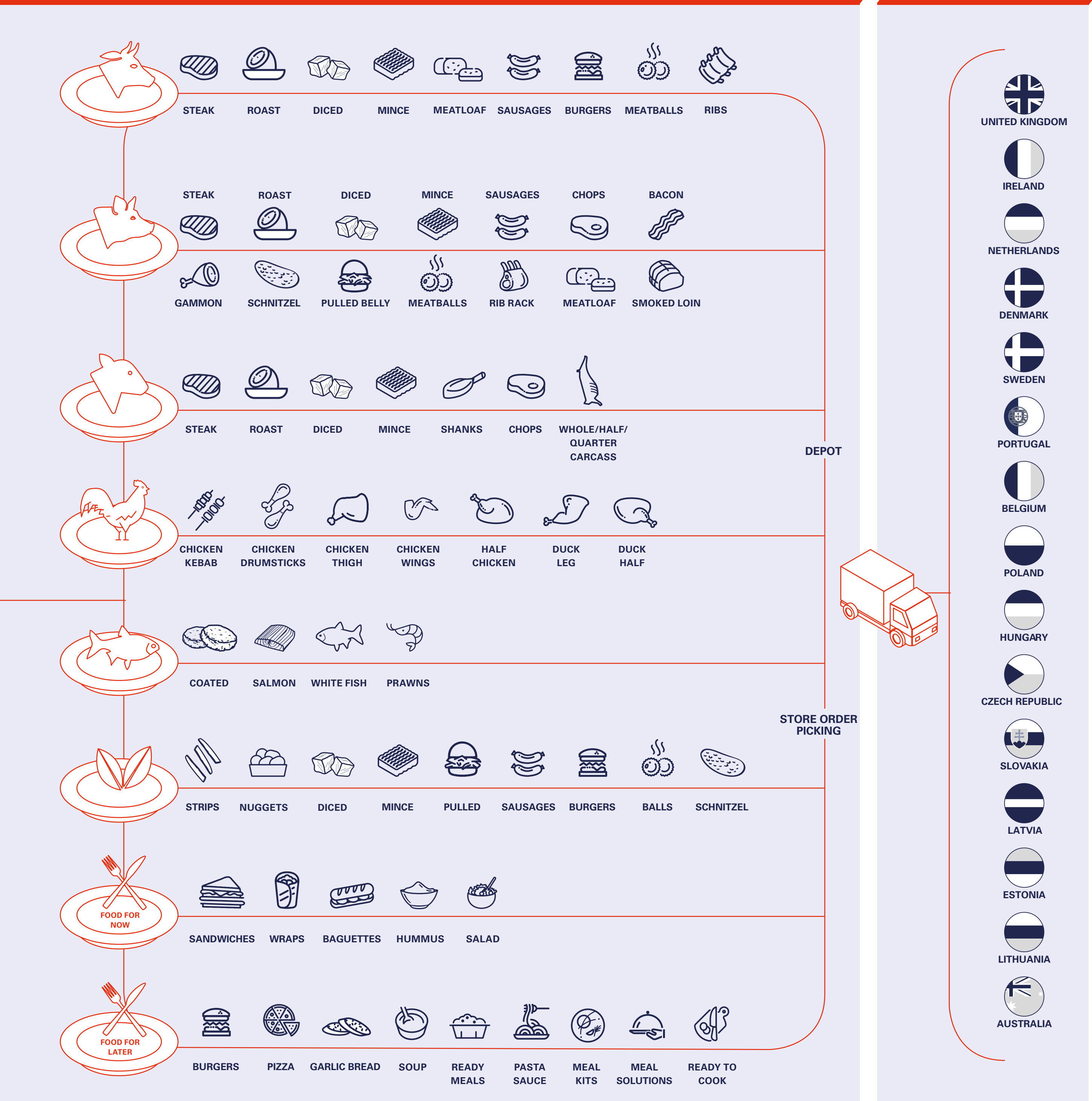
WE SUPPLY



FULL TRACEABILITY

CSR

Chief Executive's summary continued

We seek to keep ourselves at the forefront of the food packing industry, including becoming more sustainable and environmentally friendly, which helps ensure our continued competitiveness. We constantly look to drive 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. We invest continuously across all areas of our business, including raw materials sourcing, packaging materials design, increased processing efficiency and storage solutions and updating our IT infrastructure. Group capital expenditure over the last five years totalled £316m.

Under the long-term supply 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 food 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 designed to align our objectives with those of our customers.

GROUP CAPITAL EXPENDITURE OVER THE LAST FIVE YEARS

£316m

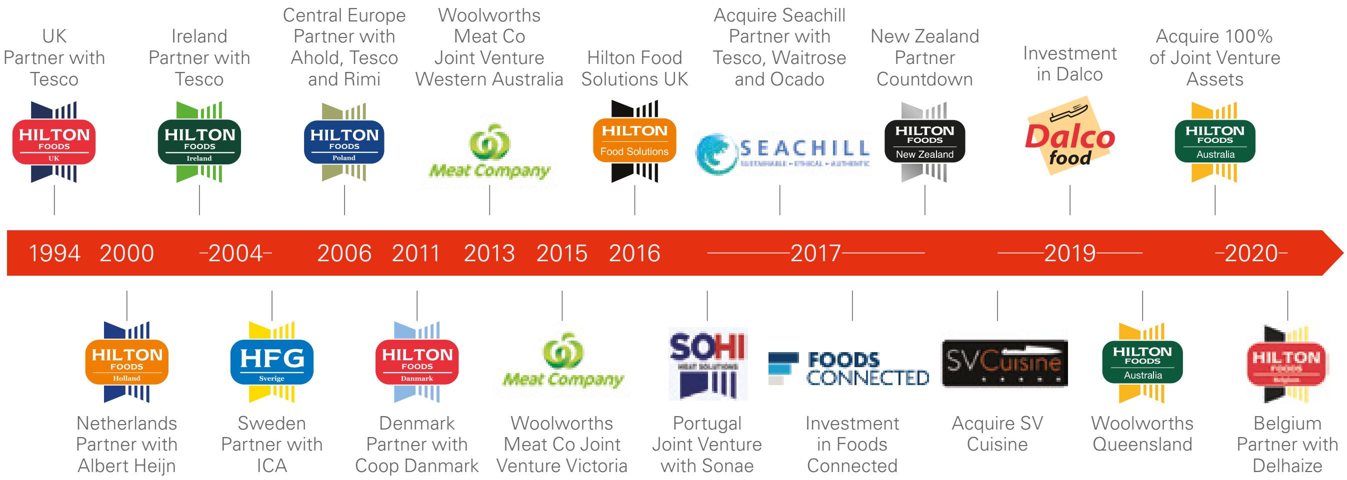
We are a committed and loyal partner with a continuing record of delivering value through quality products with the highest levels of food safety, traceability and integrity, whilst providing a range of services which enable our customers to evolve and improve their food supply chain management. Our customer base comprises high quality 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 food 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 we can put forward flexible solutions, together with continuing increases in efficiency and cost competitiveness. This flexible approach and understanding of our local markets remains one of our core strengths.

As well as our ability to provide excellent execution locally, we also have at our disposal a wide and deep expertise on a number of areas of specialism, such as engineering, new product development, food related IT applications, category management support, logistics and market intelligence. We are able to apply these skills to a number of markets to support our customers in a cost-effective way.

Business development

The Group's expansion is based on its established and proven track record, international reputation and experience and the recognised success of the close partnerships we have forged and maintained with successful retail partners over many years. Hilton's business model has proved successful in Europe and Australia supplemented by targeted acquisitions. We have demonstrated that this business model is capable of being successfully transferred into new countries, adapted with our local customers to meet their specific requirements.

Hilton's expansion is based on its established and proven track record



2020 Performance overview

2020 saw a continuation of strong year-on-year sales and volume growth driven by both expansion as well as the shift to home consumption arising from the Covid pandemic.

UK meat sales were boosted by a full year of increased Tesco participation

Good progress was made in Europe across all our red meat, fish, vegetarian/vegan and fresh food categories benefitting from consumers eating out less often due to the ongoing impact of Covid. There was a positive performance in the UK. We have started to pack chicken in Sweden and Denmark. A facility in Belgium opened in October and is proceeding in line with our expectations. Performance improved at our SV Cuisine business and the Dalco joint venture continues to perform strongly.

In Australia we successfully rolled out the Queensland facility increasing volumes to targeted levels leading to strong revenue growth. The joint venture was successfully transitioned with the consequence that sales in the second half of the year from the two relevant facilities were recognised on a fully consolidated basis including attributable turnover. The development of the New Zealand facility is scheduled to open in the third quarter of 2021.

1.5°C

PLEDGE TOWARDS NET ZERO CARBON BEFORE 2050

Overall volume which includes the 50% share of the Australian, Portuguese and Dutch joint venture activities increased by 26.2% to 469,110 tonnes (2019: 371,715 tonnes). In 2020 72% of the Group's volumes were produced in countries outside the UK. Adjusted operating profit increased by 22.5% although the overall operating margin decreased to 2.4% (2019: 3.0%) which is mainly attributable to the recognition of revenue from the two Australian joint venture facilities following their transition to Hilton ownership and higher Australian raw material prices. The margin per kg was slightly lower at 14.3p (2019: 14.7p). Our customer service level remained best in class at 95.4% (2019: 96.8%) reflecting an outstanding performance during the challenging Covid period.

The wide geographical spread of the Group increases its resilience by minimising its reliance on any one individual economy. Hilton's results are reported in Sterling and are therefore sensitive to changes in the value of Sterling compared to the range of overseas currencies in which the Group trades. During 2020 the impact of average exchange rates on our results compared with 2019 was marginal.

72%

In 2020 72% of the Group's volumes were produced in countries outside the UK

Sustainability

We demonstrated significant progress towards our targets during 2020.
On our journey to sustainable and circular recycling of our packaging materials we have overachieved our target for recycled content and 98% of our beef mince is now packed in recyclable mono plastic trays. We have committed to set a science-based target through the Science Based Targets initiative and signed the Business Ambition for 1.5°C pledge, directing our efforts towards a net zero carbon footprint before 2050. We helped negotiate a 2020 cut-off for all forms of deforestation within the Brazilian supply chain for salmon feed, and for it to be verified by robust third party verification processes.

98%

of our beef mince is now packed in recyclable mono plastic trays

Chief Executive's summary continued

Progress in 2020 against our strategic objectives

	STRATEGIC OBJECTIVES 1 Volume growth with existing customers	2 Investment in assets & capacity	3 Focus on food, cost, quality & service	4 New territories and markets
Manage Covid-19	✓		✓	
Australia JV transition – purchase of JV related assets	✓	✓	✓	
New facility opened in Belgium	✓	✓	✓	✓
Roll out of facility in Brisbane, Australia	✓	✓	✓	
Roll out of Tesco UK increased participation	✓		✓	
New facility in New Zealand under construction		✓		✓

Segment performance

Europe

Adjusted operating profit of £62.6m (2019: £55.2m) on turnover of £1,989.6m (2019: £1,724.9m)

This operating segment covers the Group's businesses in the UK, Ireland, Holland, Belgium, Sweden, Denmark and Central Europe together with joint ventures in the UK, Holland and Portugal. Volume growth was 8.5% on a 52 week basis driven primarily by a full year of increased UK meat participation and higher demand due to increased consumption at home due to Covid. Sales on a 52 week constant currency basis grew by 12.6% and operating profit by 10.6% reflecting the higher volumes. Operating margins eased slightly to 3.1% (2019: 3.2%) although operating profit margin per kg increased to 18.0p (2019: 17.6p).

Australasia

Adjusted operating profit of £17.2m (2019: £9.6m) on turnover of £784.4m (2019: £89.8m)

In Australia the Group operated a joint venture with Woolworths in the first half of 2020 under which it earned a 50% share of the agreed service fees based on the volume of retail packed meat delivered to Woolworths' stores produced by its plants in Bunbury, Western Australia and Melbourne, Victoria. In 2018 we took full operational control of these plants and, from July 2020, transitioned to Hilton's ownership through the purchase of the assets relating to the joint venture.

Performance was driven by volume growth of 107.9% on a 52 week basis attributable to a full year of our new Brisbane facility. Constant currency sales on a 52 week basis increased by 769% which is attributable to the additional Brisbane volume and also the recognition of revenue from the two Australian joint venture facilities following their transition to Hilton ownership. Operating profit increased to £17.2m (2019: £9.6m) although the operating profit margin per kg decreased to 14.2p (2019: 16.7p) reflecting the transition from the joint venture to full ownership.

Resourcing for growth: culture and people

Our people are at the heart of our success and they have risen exceptionally to the challenges of 2020. Against the backdrop of the Covid-19 pandemic our teams have dedicated themselves to feeding our nations families. In partnership with our customers we have ensured that supermarket shelves were stocked and record volumes delivered.

Our teams across the countries we operate in, have worked tirelessly to keep our people safe. We have continually reviewed our policies and procedures through the pandemic. We have invested in our facilities, systems and equipment and we have ensured that our people are fully engaged as we have implemented new ways of working. I am proud of how we have worked as one team in sharing best practice across our international operating companies and quickly introduced innovative approaches in these most challenging times.

Melbourne, Australia

Hilton Foods Belgium

Progressive new build in New Zealand

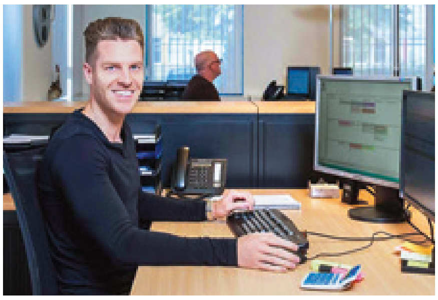
I am delighted that this year's engagement survey results have improved against what was a strong level of engagement in 2019. Our surveys provide invaluable feedback on which our operating companies base plans that continuously improve employee satisfaction and our employee value proposition.

We have also continued to invest in our people's development through our leadership development programmes and provide all our teams with the training they need to perform their roles safely and effectively.

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 bring tremendous benefits to our business and each other. During 2020 in collaboration with leaders and colleagues across our business we developed our inclusion and diversity strategy. As part of that strategy I am pleased to announce that in 2021 we will become a strategic sponsor of Meat Business Women the global professional networking movement for progressive women working in the meat sector. The Group currently employs over 5,300 colleagues across Europe and Asia Pacific.

We work as "one team" with local empowered leadership teams dedicated to the needs of our customers and equipped with excellent local consumer and market insight. These teams provide flexible and rapid support which has been a key strength in these pandemic conditions. Our local teams are supported by our Group capability which provides specialist expertise and support, enables the sharing of best practice and business growth.

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 them all for both for their dedicated efforts during 2020 and their continuing commitment to the Group's ongoing growth and development.



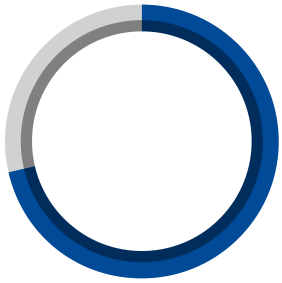
Past and future trends

Over recent decades major retailers have progressively rationalised their supply base through large scale, centralised packing solutions capable of producing private label packed fresh food products. This achieves lower costs with consistent high food safety, food integrity, traceability and quality standards allowing supermarket groups to focus on their core retail business whilst addressing consumers' continuing requirement for quality and value. This trend towards increased use of centralised packing solutions is likely to continue, albeit at different speeds across the world, representing potential future geographical expansion opportunities for Hilton.

Consumer buying patterns are evolving with more seafood and vegetarian proteins being eaten. Through Hilton's diversification into these proteins we are well placed to grow our business.

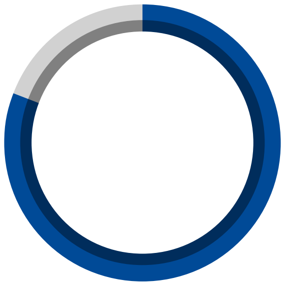
Philip Heffer
Chief Executive Officer
6 April 2021

DIRECTORS



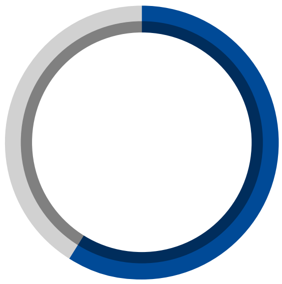
Male	5
Female	2

SENIOR MANAGERS



Male	47
Female	11

EMPLOYEES



Male	3,185
Female	2,206

For more information visit
www.hiltonfoodgroupplc.com

Performance and financial review

Continued strong growth in volumes, sales, profitability and basic earnings per share."

NIGEL MAJEWSKI
CHIEF FINANCIAL OFFICER

+26.2%
VOLUME

+52.9%
REVENUE

+22.5%
OPERATING PROFIT

For more information visit
www.hiltonfoodgroupplc.com

Summary of Group performance

This performance and financial review covers the main highlights of the Group's financial performance and position in 2020. Hilton's overall financial performance saw continued strong growth in volumes, sales, profitability and basic earnings per share. Cash flow generation was strong supporting our ongoing significant investment in facilities.

Basis of preparation

The Group is presenting its results for the 53 week period ended 3 January 2021, with comparative information for the 52 week period ended 29 December 2019. The financial statements of the Group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Board uses adjusted profit before IFRS 16, acquired intangibles amortisation and exceptional items to measure performance and considers this metric better reflects the underlying performance of the business. The adjustment for acquisition intangibles amortisation of £2.4m (2019: £2.4m) is in connection with the 2017 Seachill acquisition. Unless otherwise stated financial metrics in the Financial highlights, Chairman's introduction, Chief Executive's summary and this Performance and financial review refer to the adjusted results.

2020 Financial performance

Volume and revenue

Volumes, which include 50% share of the Australian, Portuguese and Dutch joint ventures activities, grew by 26.2% (23.8% on a 52 week basis) in the year driven by strategic growth in Australia, with higher UK volumes and higher demand due to increased consumption at home due to Covid also contributing. Additional details of volume growth by business segment are set out in the Chief Executive's summary. Revenue increased 52.9% and by 50.0% on a 52 week constant currency basis representing the volume growth and also the recognition of revenue from the two Australian joint venture facilities following their transition to Hilton ownership.

Australia was a significant driver of top line growth where volume grew by 107.9% with 61.7% of this from a full year of our new Brisbane facility. Constant currency sales on a 52 week basis increased by 769% of which 408% is attributable to the additional Brisbane volume and 361% from the recognition of revenue from the two joint venture facilities following their transition to Hilton ownership.

Operating profit and margin

Operating profit of £67.0m (2019: £54.7m) was 22.5% higher than last year and 20.0% higher on a 52 week constant currency basis driven by both expansion as well as the shift to home consumption arising from the Covid pandemic. IFRS operating profit was 19.9% higher at £66.9m (2019: £55.8m). The operating profit margin in 2020 declined to 2.4% (2019: 3.0%) mainly due to the recognition of revenue from the two Australian joint venture facilities following their transition to Hilton ownership and higher Australian raw material prices. The operating profit per kilogram of packed food sold was little changed at 14.3p (2019: 14.7p).

Net finance costs

Net finance costs increased to £5.9m (2019: £5.0m) reflecting higher borrowings that financed our expansion programme. Interest cover in 2020 was unchanged at 11 times (2019: 11 times). IFRS net finance costs were £12.8m (2019: £12.6m).

Taxation

The taxation charge for the period was £13.5m (2019: £10.1m). The effective tax rate was 22.0% (2019: 20.2%) reflecting a change in the mix of profits taxed at different rates in overseas countries, particularly Australia. The IFRS taxation charge was £12.0m (2019: £8.0m) with an effective tax rate of 22.2% (2019: 18.5%).

Net income

Net income, representing profit for the year attributable to owners of the parent of £45.3m (2019: £37.6m) was 20.7% higher than last year and 18.2% higher on a 52 week constant currency. IFRS net income was £39.7m (2019: £33.1m).

Earnings per share

Basic earnings per share 55.4p (2019: 46.0) was 20.4% higher than last year and 18.0% on a 52 week constant currency basis. IFRS basic earnings per share were 48.6p (2019: 40.5p). Diluted earnings per share were 47.9p (2019: 40.1p).

Performance and financial review continued

Earnings before interest, taxation, depreciation and amortisation (EBITDA)

EBITDA, which is used by the Group as an indicator of cash generation, increased by 32.3% to £106.0m (2019: £80.1m) reflecting the growth in profitability following significant investment and by 29.8% on a 52 week constant currency basis. IFRS EBITDA was £126.5m (2019: £102.4m).

Free cash flow and net debt position

Operating cash flow was strong in 2020 with cash flows from operating activities of £91.7m (2019: £70.3m). IFRS free cash inflow after capital expenditure of £95.5m and before dividends and financing was £0.6m (2019: outflow £28.5m).

The Group closing net bank debt was £122.2m (2019: £86.8m) reflecting bank borrowings of £246.0m net of cash balances of £123.8m. Net debt including lease liabilities was £367.4m (2019: £271.5m).

At the end of 2020 the Group had undrawn committed bank facilities under its syndicated banking facilities of £51.5m (2019: £71.1m). These banking facilities are subject to covenants comprising minimum tangible net worth, net bank debt to EBITDA and interest cover. Headroom under these covenants at the end of 2020 was at least 50% for all these metrics.

The resilience of the Group in the face of the uncertain challenges presented by Covid-19 has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group has adequate headroom under its existing committed facilities and will be able to continue to operate well within its banking covenants.

Dividends

The Group has maintained a progressive dividend policy since flotation. The Board is satisfied that the Group has adequate headroom under its existing facilities that it is appropriate to continue to operate this dividend policy and has recommended a final dividend of 19.0p per ordinary share in respect of 2020. This, together with the interim dividend of 7.0p per ordinary share paid in November 2020, represents a 21.5% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 2 July 2021 to shareholders on the register on 4 June 2021 and the shares will be ex dividend on 3 June 2021.

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.

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

Financial KPIs

Non-financial KPIs

REVENUE GROWTH
(%)

52.9%

2019: 10.0%

Year on year revenue growth expressed as a percentage. The 2020 increase mainly reflected volume growth and the recognition of revenue following the transition of the two Australian JV facilities to Hilton ownership.

ADJUSTED OPERATING PROFIT MARGIN
(%)

2.4%

2019: 3.0%

Adjusted operating profit expressed as a percentage of turnover. The operating profit margin % in 2020 was lower mainly due to the recognition of revenue following the transition of the two Australian JV facilities to Hilton ownership and higher Australian raw material prices.

ADJUSTED OPERATING PROFIT MARGIN
(PENCE PER KG)

14.3

2019: 14.7

Adjusted operating profit per kilogram processed and sold in pence. There is little change in 2020 compared with 2019.

ADJUSTED EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)
(£m)

£106.0m

2019: £80.1m

Adjusted operating profit before depreciation and amortisation. The increase reflected the growth in profitability following significant investments.

FREE CASH FLOW
(£m)

£0.6m

2019: £(28.5)m

IFRS cash in/(out)flow before minorities, dividends and financing. Operating cash flow generation in 2020 increased in line with EBITDA with facilities capex spend at similar levels to 2019.

NET DEBT/EBITDA RATIO
(%)

115.3%

2019: 108.4%

Year end net bank debt as a percentage of adjusted EBITDA. The increase is due to higher bank borrowings used to finance our expansion programme.

GROWTH IN SALES VOLUMES
(%)

26.2%

2019: 7.8%

Year on year volume growth. Volume growth was seen due to strategic growth in Australia, higher UK volumes and higher demand through increased consumption at home due to Covid.

EMPLOYEE AND LABOUR AGENCY COSTS
(PENCE PER KG)

57.2

2019: 51.8

Labour cost of producing food products as a proportion of volume. The increase reflects additional Covid related costs, start-up costs in Belgium and the Australia JV transition.

CUSTOMER SERVICE LEVEL
(%)

95.4%

2019: 96.8%

Packs of product delivered as a % of the orders placed. The customer service level remained best in class reflecting an outstanding performance during the challenging Covid period.

Performance and financial review continued

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 earnings are generated 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 ventures, and in the translation of overseas earnings.

The level of country specific risk currently remains material for many businesses, in terms of the impact of macroeconomic developments and commodity price movements. The Group sells high quality basic food products, for which there will always be continuing demand, to successful blue chip retailers in developed countries.

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 either on a cost plus, packing rate or volume based reward basis with its customers.

Liquidity risk

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 2021 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The evolving Covid-19 outbreak has led to increased demand for protein-based products produced by the Group. We established business continuity plans and flexible supply models in order to continue to meet this increased demand. The resilience of the Group in the face of the uncertain challenges presented by Covid-19 has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group is able to continue to operate well within its banking covenants and has adequate headroom under its existing committed facilities which do not expire until October 2022. 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 as detailed in the financial statements and the principal banking facilities, which support the Group's existing and contracted new business, are committed. The Group is in full compliance with all its banking covenants and based on forecasts and sensitised projections is expected to remain in compliance. 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 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 31 of the 2018 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 2023. 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, including those in relation to Covid-19, and how these are managed. 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 food raw material, packaging and other costs, together with the anticipated level of capital investment required to maintain our facilities at state-of-the-art levels. The three year plan assumes that bank facilities are refinanced on comparable terms to existing arrangements and the Board expects facilities to be renegotiated prior to their expiry in October 2022.

Cautionary statement

This Strategic report contains forward-looking statements. Such statements are based on current expectations and assumptions and are subject to risk factors and uncertainties which we believe are reasonable. Accordingly Hilton's actual future results may differ materially from the results expressed or implied in these forward-looking statements. We do not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Nigel Majewski
Chief Financial Officer
6 April 2021

Risk management and principal risks

RISKS AND RISK MANAGEMENT

In accordance with provision 28 of the 2018 UK Corporate Governance Code the Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group that might impede the achievement of its strategic and operational objectives as well as affect performance or cash position. As a leading food processor in a fast moving environment it is critical that the Group identifies, assesses and prioritises its risks. The result of this assessment is a statement of the principal risks facing the Group together with a description of the main controls and mitigations that reduce the effect of those risks were they to crystallise. 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 a 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

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 outlined below.

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 combining the set of business unit risk registers supplemented by formal interviews with senior executives and Directors of the Group. The Group has a Risk Management Committee which reports regularly to the Audit Committee and Board on the substance of the risk assessment and any changes to the nature of those risks or changes to the likelihood or materiality of the risk in question. The Risk Management Committee also reviews progress in control development and implementation of those key controls related to principal risks listed in this section of the report. The Group's internal audit function derives its risk based assurance plan on the controls after considering the risk assessment and reports its findings to the Audit Committee. The Risk Management Committee also oversees the scenario based business continuity management exercises.

Not all the risks listed 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. These risks, 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.

Risk management during 2020

Global pandemic

The current Covid-19 pandemic continues to present major challenges for people and economies across the globe. Food production is a key industry so our challenge was to keep our facilities open, as part of an integrated supply chain, to ensure that our retailer partners are able to adapt to consumer demand for protein-based products whilst at the same time keeping our people safe. We established business continuity and flexible buy models and supply options, which means that we continued to play our part in feeding the nation and supporting ongoing demand. The dedication and resilience of our teams was tested as we responded to these challenges.

The health and wellbeing of our people is paramount and we have established a number of protocols to protect our people and to minimise contact. We are prioritising those that are most susceptible to Covid-19 including those with underlying health conditions. Travel by our colleagues, in line with government restrictions, is strictly managed as are visitors to, and movements within, our facilities together with extensive cleaning regimes and hand-sanitising stations. We have plans in place to respond to any virus spread within our facilities and to mitigate any resourcing shortfall through additional use of temporary labour including those available from other sectors.

We are dependent on our key suppliers to maintain a continued supply of raw material and packaging materials and we are in daily contact with them to manage availability and identify key critical product lines which must be delivered and those that could be postponed. There have not been any significant issues experienced to date.

We have managed the challenges well and are confident that through our local operating model and financial strength we are well placed.

Brexit

Hilton Food Group planned for the potential impact of Brexit since the outcome of the vote in 2016. Our exposure was mitigated through our predominantly local sourcing and operating model. Through the transition period, and as various challenges have arisen, our risk assessments and mitigation plans have evolved as necessary. Since the confirmation of the EU-UK Trade & Cooperation Agreement at the end of December 2020, our dedicated Brexit team has been focused on implementing the required changes to minimise disruption to our operations.

Impacts will continue to develop through 2021 as various deferments and grace periods expire, and the full conditions of the new UK-EU relationship are implemented. It is expected that these changes will have a greater impact on the food sector, due to the nature of just in time supply chains and sanitary & phytosanitary requirements specific to food products. The ending of freedom of movement could cause disruption in the future by depleting the availability of our workforce which could be further compounded by any potential requirement for electronic health passports.

As a business we continue to prioritise the status of our EU employees in the UK, and vice versa in the EU, secure supply chains to ensure ongoing service to customers and ensure ongoing regulatory compliance as EU & UK standards may diverge. We continue to work with industry bodies and government forums on developing mitigations for Brexit-related risks as they arise.

Engagement with key internal and external stakeholders remains a vital process in managing the potential financial and operational impacts from border delays, and increased friction to trade. As the post-Brexit landscape develops, the Group remains proactive in reviewing raw material sourcing regions and transport routes.

Overall we still believe that the Hilton business is sufficiently resilient to withstand these uncertainties whilst minimising disruption.

Principal risks

The most significant business risks that the Group faces, 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	Its potential impact	Risk mitigation measures and strategies adopted
Risk The Group strategy focuses on a small number of customers who can exercise significant buying power and influence when it comes to contractual renewal terms at 5 to 15 year intervals. No movement	The Group has a relatively narrow, but expanding, customer base, with sales to subsidiary or associated companies of the Tesco, Ahold and Woolworths groups still comprising the larger part of Hilton's revenue. 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.	The Group is progressively widening its customer base and has maintained a 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.
Risk The Group's growth potential may be affected by the success of its customers and the growth of their packed food sales. No movement	The Group's products predominantly carry the brand labels of the customer to whom packed food is supplied and it is accordingly dependent on its customers' success in maintaining or improving consumer perception of their own brand names and packed food offerings.	The Group plays a very proactive 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.
Risk The progress of the Group's business is affected by the macroeconomic environment and levels of consumer spending which is influenced by publicity including reports concerning the risks of consuming certain foods and the decline in the consumption of meat in the countries in which it operates. No movement	Consumer demand may drop due to food scares and economic conditions. No business is immune to difficult economic climates and the consequent pressure on levels of consumer spending.	With a sound business model including successful diversification within the vegetarian market, 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.

Risk management and principal risks continued

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk As Hilton continues to grow there is more reliance on key personnel and their ability to manage growth, change, integration and compliance across new legislative and regulatory environments. This risk increases as the Group continues to expand with new customers and into new territories with potentially greater reliance on stretched skilled resource and execution of simultaneous growth projects. No movement	The Group may struggle to meet key project objectives and fail to adhere to regulatory and legislative requirements, which in turn detracts from our performance delivery for our customers.	The Group carefully manages its skilled resources including succession planning and maintaining a talent pipeline. The Group is evolving its people capability balanced with an appropriate management structure within the overall organisation. Hilton continues to invest in on-the-job training and career development, whilst recruiting high quality new employees, as required, to facilitate the Group's ongoing growth and in deploying resource to support the growth projects appropriately. Appointment of additional key resources and alignment of structures have supported the enhancement of project management control and oversight. Control systems embedded in project management enable the risks of growth to be appropriately highlighted and managed. To underscore our efforts we have active relationships with strong industry experts across all areas of business growth.
Risk The Group's business strength is affected by its ability to maintain a wide and flexible global food supply base operating at standards that can continuously achieve the specifications set by Hilton and its customers. No movement	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 food 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 and therefore potentially impact our ability to meet agreed customer service levels.	The Group maintains a flexible global food 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.
Risk Contamination within the supply chain including outbreaks of disease and feed contaminants affecting livestock and fish. No movement	This will potentially affect the Group's ability to procure sufficient quantities of safe raw material.	The Group sources its food 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. Within our factories, Global Food Safety Initiative (GFSI) benchmarked food safety standards and our own factory standard assessments drive the enhancement of the processes and controls that are necessary to ensure that the risks of contaminants throughout the processing, packing and distribution stages are mitigated and traceable should a risk ever materialise.
Risk Significant incidents such as fire, flood, pandemic or interruption of supply of key utilities could impact the Group's business continuity. No movement	Such incidents could result in systems or manufacturing process stoppages with consequent disruption and loss of efficiency which could impact the Group's sales.	The Group has robust business continuity plans in place including sister site support protocols enabling other sites to step in with manufacturing and distribution of key product lines where necessary. Continuity management systems and plans are suitably maintained and adequately tested including building risk assessments and emergency power solutions. There are appropriate insurance arrangements in place to mitigate against any associated financial loss.

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk The Group's IT systems could be subject to cyber attacks, including ransomware and fraudulent external email activity. These kinds of attacks are generally increasing in frequency and sophistication. Increased	The Group's operations are underpinned by a variety of IT systems. Loss or disruption to those IT systems or extended times to recover data or functionality could impact the Group's ability to effectively operate its facilities and affect its sales and reputation.	The Group has a robust IT control framework, minimum operating standards, including working towards National Institute of Technology requirements, all of which are tested frequently by internal staff and by specialist external bodies. This framework is established as the key control to mitigate cyber risk and is applied consistently throughout the Group. The increased prominence of IT risk is mitigated by investments in IT infrastructure and now forms a regular part of the Group Risk Management Committee agenda and presentations to the Board. In accordance with Group strategy IT risk is considered when looking at new ventures and control measures implemented in new sites follow the Group common standards. There is internal training and resources available with emphasis on prevention, user awareness and recovery. Increasingly, IT forms part of site business continuity exercises which test and help develop the capacity to respond to possible crises or incidents. The technical infrastructure to prevent attacks, safeguard data and the resilience to recover are continuously developed including yearly assessments to meet emerging threats. IT systems including financial and banking systems are configured to prevent fraudulent payments. There are monthly IT security reviews to ensure compliance with expected levels of applications updates, and of server and data centres together with yearly penetration testing.
Risk A significant breach of health & safety legislation as complexity increases in managing sites across different product groups and geographies. No movement	Such breach in health & safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines or personal litigation claims.	The Group has established robust health & safety processes and procedures across its operations, including a Group oversight function which provides key guidance and support necessary to strengthen monitoring, best practice and compliance. The Group has also rolled out an enhanced standardised safety framework. Health and safety performance is reviewed regularly by the Board.
Risk The Group's business is affected by climate change risks comprising both physical and transition risks. Physical risks include long-term rises in temperature and sea levels as well as changes to the frequency and severity of extreme weather events. Transition risks include policy changes, reputational impacts, and shifts in market preferences and technology. Increased	Potential physical impacts from climate change could include a higher incidence of extreme weather events such as flooding, drought, and forest fires that could disrupt our supply chains and potentially impact production capabilities, increase costs and add complexity. Action taken by societies could reduce the severity of these impacts. Governmental efforts to mitigate climate change may lead to policy and regulatory changes as well as shifts in consumer demand. The potential transitional impacts include additional costs of low greenhouse gas emission farming systems, and the potential of carbon pricing aimed at shifting consumers to lower carbon foods, which may reduce the profitability of some of our products. Additionally our reputation could be impacted if we are not active in reducing the climate impacts of our operations and supply chains, resulting in lower demand for our products.	The Group has raised the risk profile of climate change to a principal risk and we continue to develop our approach to climate change risk mitigation. We are committed to setting Science Based Targets to decarbonise our own operations and supply chains. We have set energy and water efficiency targets for our sites and continue to engage in global collaborative action for decarbonisation of our key raw materials. Shifts in consumer demand are an opportunity for growth in our portfolio of plant based and seafood products. Additionally we have the flexibility to adapt our supply chains over time to mitigate physical disruption. We have committed to set a science-based target through the Science Based Targets initiative and signed the Business Ambition for 1.5°C pledge, directing our efforts towards a net-zero carbon footprint before 2050. We are conducting an assessment of the key physical and transition risks impacting our business in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We are also, for the first time this year, reporting on our initial assessment of climate risks and opportunities in line with the TCFD framework.

Sustainability report

ABOUT THIS REPORT

Sustainability is at the heart of how we do business.

Our sustainability strategy addresses what's important, what we should be aiming to achieve and how we report on our progress.

We are actively engaging in dialogue with internal and external stakeholders, including NGOs, in order to ensure our strategy is delivering what's needed, and our reporting is clear and transparent.

Our overarching Quality Naturally strategy and its eight supporting pillars have remained unchanged. We have created a new format this year, that we hope is more accessible and effectively demonstrates progress through practical examples of our work.

In this report we cover all aspects of our social and environmental strategy and commitments. Alongside these we highlight the material issues, our progress, the challenges we face, and the way in which assessing related risks and opportunities are evolving.

IN THIS SECTION

In 2021 we have committed to setting Science Based Targets for our factories and for our supply chains."

PHILIP HEFFER
CHIEF EXECUTIVE OFFICER

CEO INTRODUCTION 2020

In what has been a truly challenging year for our business, with Covid-19 restricting our ability for physical meetings, I am delighted with the progress and direction of our Quality Naturally CSR strategy, delivering solid improvements and innovation in pivotal areas.

Driven by the colleagues in our business who are passionate about ensuring we are the first choice partner for sustainable proteins through innovation and excellence in our products, supply chains and factories.

Continuing to foster this culture of sustainability and ethics is vital, and it reflects some of the core values of our strategic compass, including providing an inclusive working environment where everyone feels valued, respected and able to fulfil their potential.

Globally the demands and actions required by society to address issues such as climate change are increasing. We are committed to rising to these challenges and delivering nutritious food from sustainable and ethical supply chains. We are continuing to focus attention on the level of ambition and speed in which we need to act, as can be seen from this report.

The frameworks for evaluating and targeting material risks and opportunities are woven into the foundations of our business, so that we can operate dynamically and take advantage of our ability to deliver more effectively.

Our expertise is increasingly being recognised and utilised both within industry collaborative forums and to help our customers deliver their broad category sustainability ambitions and net zero targets.

Climate change is undoubtedly the defining issue of our time. The business benefits of driving science based climate action are clear, and we will be well-placed to thrive as the global economy undergoes a just transition to a net-zero future. We have the innovation, tools and expertise to make this happen and realise that our ambition and actions need to be bold. That is why I am pleased to announce that we are stepping up and committing to set a long term target to reach science based net-zero emissions by 2050 at the latest and to set interim science based targets across all relevant scopes and in line with the criteria and recommendations of the Science Based Targets initiative.

In 2020 we demonstrated significant progress towards our targets

- As we enter 2021 we have committed to set a science based target through the Science Based Targets initiative for our factories and supply chains and to signing the Business Ambition for 1.5°C pledge. This means that we are committed to delivering a plan towards net zero carbon neutrality before 2050 and joining the UNFCCC Race to Zero https://racetozero.unfccc.int/
- We have made huge progress on our journey to sustainable and circular packaging. Having overachieved our target for recycled content, which is now an average of 70% across all plastic packaging. Furthermore 98% of our beef mince is now packed in recyclable mono plastic trays, while 100% of our paper and board is sustainably sourced.
- During 2020 in collaboration with leaders and colleagues across our business we developed our Inclusion and Diversity strategy. As part of that strategy I am pleased to announce that in 2021 we will become a strategic sponsor of Meat Business Women the global professional networking movement for progressive women working in the meat sector.
- We have joined the United Nations Global Compact as a full Participant, which means we are committed to supporting the delivery of the UN Sustainable Development Goals in the decade leading to their culmination.
- We have maintained our excellent Tier 2 rating in the Business Benchmark in Animal Welfare, demonstrating that animal welfare is integral to our business strategy.
- All the Soy Protein used in our salmon feed comes from traders that have committed to sourcing from farms that have stopped all forms of deforestation, with robust third party verification processes.

Sustainability report continued

SETTING THE CONTEXT

During 2020 we established a Sustainability Committee, which I am pleased to Chair. This demonstrates the critical importance to the Board of our Quality Naturally strategy, which is at the core of our partnerships. I am pleased to share some of our insight into the key issues and opportunities for Hilton in 2021.

Rebecca Shelley
Sustainability Committee Chair

"We are seeing an increasing demand for food that is healthy for us and healthy for the planet."

REBECCA SHELLEY
SUSTAINABILITY COMMITTEE CHAIR

The major sustainability theme of 2021 is likely to be climate action, with the 26th Conference of the Parties to the UN Convention on Climate ("COP26") taking place in Glasgow. This is why we are proud to be doing our part by setting Science Based Targets which we plan to have agreed with SBTI during this year.

We are preparing for the recently-announced requirements for reporting against the Task Force on Climate related Financial Disclosures ("TCFD") framework. This year we have made our first statement, which shows how we are approaching both the risks and opportunities for a multi protein global food company.

Our work extends beyond climate to embrace the circular economy (reduction, re-use, recycling of material resources) as a route to carbon reduction, as well as reducing waste and the demand for new plastic production.

Another key theme will be nature, often characterised as biodiversity. Several influential reports in 2020 highlighted the extent of damage to nature from human activities, including the prospect of those being accelerated by climate change – this at the same time many people were turning to their natural environments as relief from lockdown. The next Conference of the Parties of the UN Convention on Biodiversity takes place in China in October 2021, where a 'Paris style agreement' deal for nature is sought.

Food has become an increasing focus for consumers, at the same time as their awareness is being raised that nature is under threat. These are big issues for agriculture with many of the countries in which we operate taking the opportunity to re-invent the way they support agriculture, such as the EU Farm to Fork strategy, and the new Environmental Land Management Scheme ("ELMS") in the UK.

As a consequence of Covid-19, there is a strong government desire to 'build back better' and build a 'green recovery'. At the same time there is demand for greater diversity and flexibility at all levels of business and in public life. Some of our changed work patterns will endure as we have seen the effectiveness of remote working and connecting via video, but we look forward to resuming the face to face interaction that brings us together in creative collaboration.

The Covid-19 crisis has enhanced the 'valuing' of food, and there is emerging evidence that food waste has reduced, because more people are planning their purchases, cooking from scratch and using leftovers. We continue to focus on food waste in our own operations and are particularly proud to be listed as part of the Champions 12.3 10x20x30 commitment. This groundbreaking initiative brings together 10 of the world's largest food retailers and providers, each engaging at least 20 suppliers to halve food loss and waste by 2030.

We are seeing an increasing demand for food that is healthy for us and healthy for the planet. This report shows how we are playing our part in making that happen.

This diagram demonstrates how we have developed our strategy to deliver specific outcomes that are relevant to our business and to our stakeholders. We have worked with expert partners to map the issues that are most relevant to our stakeholders. We used these to create a prioritised list of objectives in each of the eight pillars of our strategy. The outcomes of this strategy will help us deliver tangible progress against the Sustainable Development Goals.

THE ROOTS OF OUR CSR STRATEGY AND WHAT WE WILL DELIVER

STAKEHOLDERS

RETAIL PARTNERS	OUR SUPPLIERS (abattoirs, farmers, feed producers, fishers, ingredients, packaging, equipment, energy, transport services)	TRADE ORGANISATIONS
INVESTORS		TRADE UNIONS AND WORKERS' COUNCILS
OUR PEOPLE	FARMING ASSOCIATIONS	NATIONAL/FEDERAL/LOCAL GOVERNMENT
NEIGHBOURS/LOCAL COMMUNITIES	ACADEMIA/SCIENTISTS	REGULATORS
ENVIRONMENT AND SOCIAL NGOs	CERTIFICATION SCHEMES	CONSUMERS

MATERIALITY MATRIX

OUTCOMES

INDUSTRY LEADING ANIMAL WELFARE	SUSTAINABLE FARMING AND FISHING	FIRST CHOICE EMPLOYER/ RESPONSIBLE RECRUITMENT
MINIMAL MATERIAL USAGE AND EFFECTIVE CLOSED LOOP RECYCLING	TRANSPARENT REPORTING TO OUR CUSTOMERS	CHOICE OF HEALTHY, AFFORDABLE AND SUSTAINABLE PRODUCTS
LOW CARBON AND RESOURCE EFFICIENT OPERATIONS	HIGH ETHICAL STANDARDS IN OUR SUPPLY CHAIN	SUPPORTING LOCAL COMMUNITIES

POSITIVE IMPACTS

Sustainability report
continued

INTRODUCTION TO OUR STRATEGY

Our Quality Naturally strategy uses eight strategic pillars to deliver our responsible business vision.

Our strategy leverages the influence of our scale, and builds on the many examples of leadership in Sustainability within the Group. We understand that no single company can tackle these challenges alone.

We recognise our responsibility to reduce the footprint of our products throughout their supply chains and within our factories.

INNOVATORS IN SUSTAINABLE PROTEIN

Innovating to produce quality food which is ethical, healthy and sustainable

EIGHT PILLARS OF OUR STRATEGY

OUR PEOPLE
Our people are proud to be part of Hilton, recognising our contribution to community, environment and how they are treated in the workplace. We embrace local creativity and grow and develop our people to be the best they can.

SUSTAINABLE PROTEINS
We are leading collaborative action to address the key environmental challenges, shaping and guiding agendas and driving uptake of innovation at scale.

PACKAGING
We are using innovation and our scale to drive transformational development of sustainable packaging and move towards a circular economy across our value chain.

RESOURCEFUL FACTORIES
We are on a path to net zero carbon and constantly reducing our environmental impact by eliminating waste and driving resource efficiency.

TRANSPARENCY
Our industry leading transparency solutions and open reporting demonstrate our responsible business progress and strengthens trust in our industry.

ANIMAL HEALTH AND WELFARE
We are driving uptake of innovation and developing standards that advance welfare and reduce the need for antibiotics throughout our global supply chains.

ETHICAL SUPPLY CHAINS
We are leading collaborative action to improve the lives of workers across our supply chains.

CONSUMER HEALTH INNOVATION
By combining innovation and responsible sourcing, we ensure our consumers can make balanced choices that are healthy for them and for the planet.

OUR MATERIALITY MATRIX

We use this materiality matrix to decide which key initiatives to invest in and how to prioritise each of them.

These material topics are considered within our wider risk management process. It was the first step in developing our Quality Naturally strategy, as it ensures we focus on the right priorities.

Key:

- OUR PEOPLE
- TRANSPARENCY
- PACKAGING
- RESOURCEFUL FACTORIES
- SUSTAINABLE PROTEINS
- ANIMAL HEALTH AND WELFARE
- ETHICAL SUPPLY CHAINS
- CONSUMER HEALTH INNOVATION

GROUP LEVEL MATERIALITY MATRIX

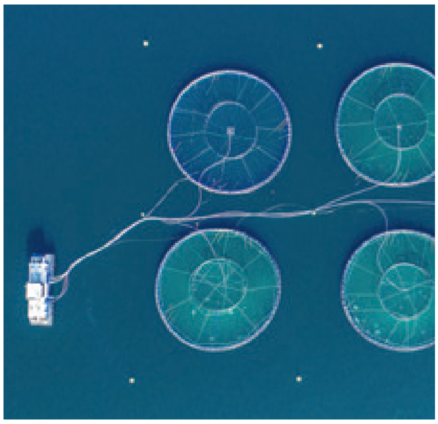
IMPORTANCE TO EXTERNAL STAKEHOLDERS \ IMPACT ON COMPANY	Moderate	Significant	Major
Major		ANIMAL HEALTH AND WELFARE INNOVATION IN HEALTHY AND SUSTAINABLE EATING WITH ALTERNATIVE PROTEIN OPTIONS	PACKAGING End to end innovation Plastic reduction, design for circularity PRODUCT SAFETY & INTEGRITY HUMAN RIGHTS IN SUPPLY CHAINS CLIMATE CHANGE MITIGATION AND BIODIVERSITY THROUGH SUSTAINABLE AGRICULTURE/ WILD CAUGHT FISH/ AQUACULTURE FOOD WASTE AND LOSS ANTIMICROBIAL RESISTANCE
Significant	WASTE MANAGEMENT/ RECYCLING	FAIR PRICE TO FARMERS AND FISHERMEN RESPONSIBLE RECRUITMENT	TRANSPARENT SUPPLY CHAINS HEALTH & SAFETY OUR FACTORIES ENERGY AND WATER MANAGEMENT
Moderate	NUISANCE FOR NEIGHBOURS	EXTERNAL ENVIRONMENTAL REPORTING TRANSPORT OUR COMMUNITIES	WELLBEING, EQUALITY, DIVERSITY & INCLUSION CAPABILITY OF OUR PEOPLE EMPLOYER OF CHOICE

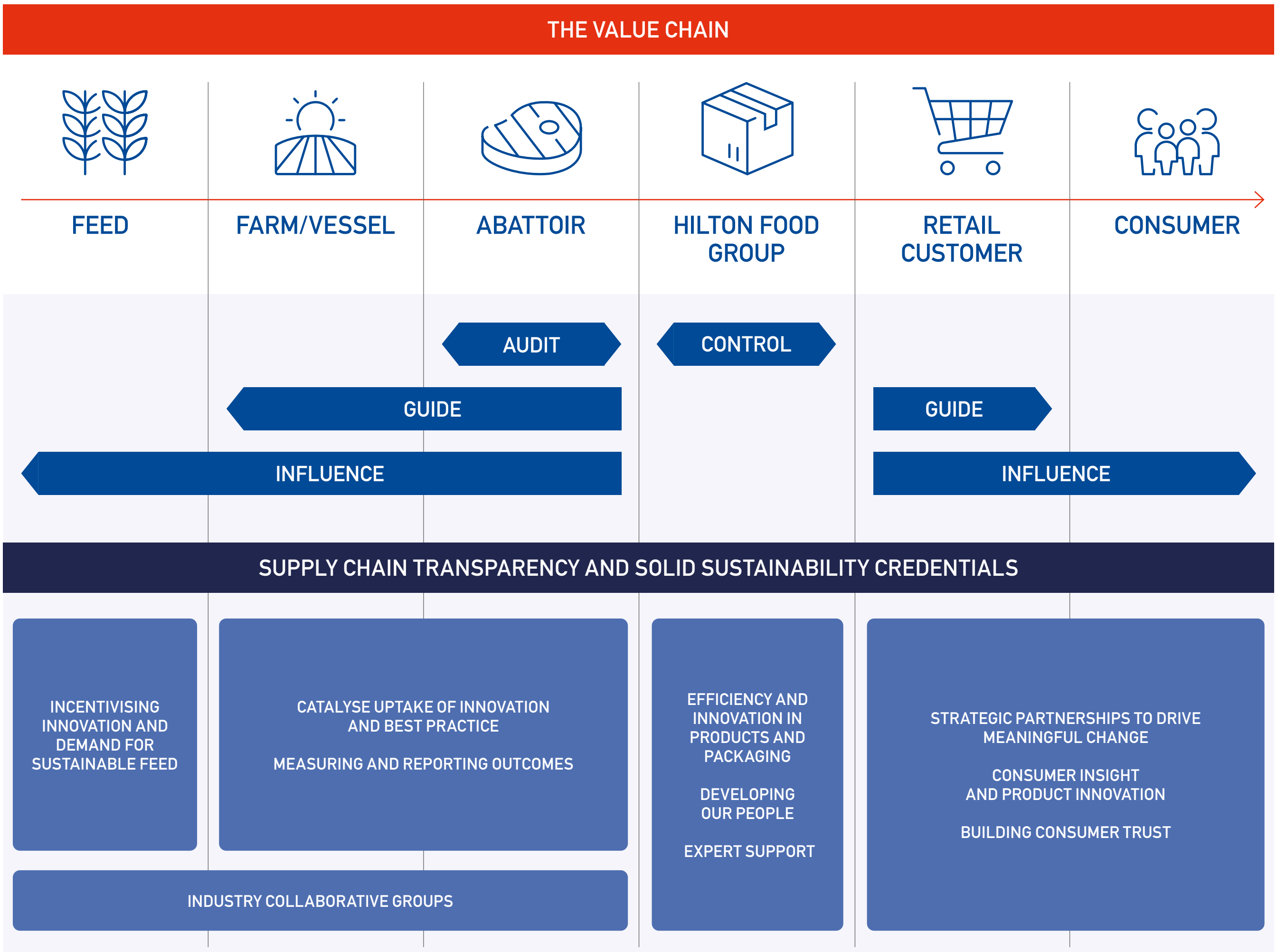
Sustainability report
continued

HOW WE WORK THROUGH THE VALUE CHAIN

Hilton engages and convenes the whole value chain to incentivise investment in step change improvements, which are economically sustainable at scale.

Our focus is to deliver our customer priorities by collaborating with our supply chains. We do not own farms, fishing vessels or abattoirs, which gives us the freedom to work with the leaders in innovation and sustainability. The diagram shows how we guide and influence at each stage of the chain.





FACTS AND FIGURES

30%
REDUCTION IN FOOD WASTE IN OUR UK SITES SINCE 2018

5,718tn
FOOD SAVED FROM GOING TO WASTE

1.5%
FOOD WASTE AS A PROPORTION OF TOTAL FOOD PRODUCED

70%
AVERAGE RECYCLED CONTENT OF OUR PLASTIC PACKAGING

89%
OF OUR MEAT TRAYS ARE MADE FROM 100% RECYCLED PET AND ARE FULLY RECYCLABLE

100%
WE HAVE ACHIEVED 100% SUSTAINABLY SOURCED PAPER AND BOARD (FROM FSC OR PEFC SUSTAINABLY CERTIFIED FORESTS) ACROSS ALL OF OUR RETAIL PACKAGING GLOBALLY

130tn
OF PLASTIC REMOVED BY REDUCING THE WEIGHT OF OUR RETAIL PACKAGING IN OUR SEAFOOD BUSINESS IN THE LAST 12 MONTHS

1,000tn
WE HAVE PLANS TO REDUCE OUR PLASTIC TRAY WEIGHT BY A MINIMUM OF 1,000 TONNES ACROSS THE GLOBE OVER THE NEXT 12 MONTHS

18m
WE HAVE REMOVED 18 MILLION PIECES OF NON-RECYCLABLE PACKAGING FROM OUR PRODUCTS IN THE LAST 12 MONTHS

300%
GROWTH IN VEGETABLE BASED PROTEIN RETAIL SALES SINCE SEPTEMBER 2019

47%
OF THE ELECTRICITY THAT WE USE HAS ZERO EMISSIONS

2,503,000
SELF-GENERATED RENEWABLE ELECTRICITY (KWH) UP 33% FROM 2019

TONNES CO_2e SCOPE 2 EMISSIONS (LOCATION BASED)
57,675

TONNES CO_2e SCOPE 2 EMISSIONS (MARKET BASED)
47,103

TONNES CO_2e PER TONNE OF PRODUCT
0.15

TONNES CO_2e SCOPE 1 EMISSIONS
10,639

AS A RATIO OF GROUP REVENUE, OUR EMISSIONS REDUCED BY
30%

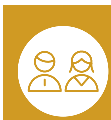
AS A RATIO OF GROUP REVENUE, OUR WATER EFFICIENCY IMPROVED BY
16%

98%
OF OUR DIRECT SUPPLY WILD CAUGHT FISH IS CERTIFIED TO THE MSC

100%
OF OUR AQUACULTURE SUPPLY IS THIRD PARTY CERTIFIED FOR RESPONSIBLE SEAFOOD (E.G. ASC, GLOBALGAP AND BAP)

93%
OF GLOBAL SUPPLIERS GFSI CERTIFIED

Sustainability report continued



OUR PEOPLE

Our people are at the heart of our success. Hilton is an inclusive organisation built on respect, with equal opportunities for skills and career development. The safety and wellbeing of our people is our first priority.

Commitments and objectives:

1. Continued development of an inclusive organisation built on respect, with equal opportunities for skills and career development
2. Track improvements in engagement survey measuring employees' overall connectivity with Hilton and level of pride for the business
3. Implement a global safety framework – using best practice from each region

Why it matters

Creating an environment with a focus on safety and where people feel supported to perform at their best, leads to an organisation with higher staff retention, lower absence, reduced accident rates and ensures people want to join us. Together with implementing best ethical practices such as ETI base code and ILO principles, it gives our workers a safe and valued place of work.

Health and safety

We are dedicated to putting Health, Safety and wellbeing at the heart of what we do through good leadership, safe behaviour and continuous improvement of our Safety Framework. This consists of our Group Health and Safety policy, local vision statements, global standards and local procedures. Protecting all of our people (employees, contractors and visitors) against hazards through the application of risk management to prevent injury, harm and illness.

Current targets to improve Health and Safety performance include year on year reductions in First Aid Incidents ("FAIs"), Lost Time Incidents ("LTIs") and number of lost days. We also look for year on year improvement on Hazard and Near Miss Reporting and the appropriate actions taken to close out these reports. Our annual audit results and the feedback received from our colleagues through culture and engagement surveys ensure our continual improvement.

Inclusively attracting and developing the best people

Our strategy starts by following fair recruitment practices, builds and sustains colleague engagement and ensures that Hilton continues to be an attractive employer. Inclusively developing colleagues to their full potential, and attracting new diverse talent, is the core of our succession and capability future leadership strategy.

Our people are proud to be part of Hilton, recognising our contribution to community, environment and how they are treated in the workplace. We embrace local creativity and grow and develop our people to be the best they can.

Highlights

- Building on our strategic leadership development programmes we launched a future senior leaders programme, these development initiatives will be expanded to emerging leaders in 2021.
- We created a three year Inclusion and Diversity strategy informed by employee focus groups and in consultation with our leaders.
- This year we successfully ran a virtual leadership conference and Company-wide town halls. Ensuring that colleagues are fully engaged and understand their contribution in delivering and supporting our purpose, ambition, principles and values.
- Our focus has been on protecting our people through Covid-19. We were able to keep all of our people informed and engaged through our MyHFG app, which proved critical to keeping them aware of safety measures and to be able to listen and respond to any concerns.
- Engagement survey results improved by two points, demonstrating we are making progress to continuously improve our colleague experience.
- Became a sponsor of Meat Business Women network to help mentor and develop our people.
- Launched our new Global Health and Safety framework and KPIs.
- We continued our Stronger Together programme in the UK to ensure our managers and team leaders are trained to look for signs of modern slavery.
- Examples of our community support included our people personally donating hundreds of chocolate eggs to the NHS, a hospice and care homes in Grimsby and we transformed 2 families lives by donating much need furniture, equipment, clothes and food in Poland.
- In Poland we established a free confidential psychological counselling support programme for our people with the message that our goal is to get you back into balance.

The global professional networking movement for progressive women working across the meat industry.

OUR CAPABILITY AND SUCCESSION JOURNEY

LEADERSHIP PROGRAMME PARTICIPANTS
29

LEADERSHIP PROGRAMMES
3

CAPABILITY REVIEWS
240

2017
New approach piloted & succession plan developed for senior leadership

2018
Approach adjusted post pilot and rolled out

First Strategic Accelerated Development Programme ("SADP") launched

2019
Approach further rolled out to exploring leadership levels

Exploring Leadership Programme ("ELP") launched

2020
New Performance Development Review launched strengthening focus on development

Approach simplified to widen to emerging leadership level

UN SDG Alignment

5 GENDER EQUALITY

OUR HEALTH & SAFETY JOURNEY

1
VISION, POLICY AND GLOBAL FRAMEWORK

8
GLOBAL STANDARDS

41
GLOBAL KEY REQUIREMENTS

5
SHARED KPIs

UN SDG Alignment

3 GOOD HEALTH AND WELL-BEING

Sustainability report
continued

SUSTAINABLE PROTEINS

We are engaging in our global supply chains to address the environmental sustainability challenges that will shape the future of food. These include reducing the climate impacts of livestock farming while improving soil health, recovering fish stocks and eliminating waste. Our opportunity is to build consumers trust in food that is healthy for them and healthy for the planet.

Commitments and objectives:

1. We are working to achieve verified zero net deforestation for all our raw materials by 2030, and sooner where possible
2. We have committed to setting Science Based Targets including for our key supply chains, and we have aligned to the European Round Table for Beef Sustainability objectives of an intensity reduction of 15% in emissions of cattle by 2025
3. All of our direct supply wild caught fish will be certified to the MSC standard or otherwise verified as sustainable by 2030
4. We are working to drive a substantial uptake of novel proteins and oils by 2025 to reduce the dependence on wild capture fish in aquaculture feed, to enable sustainable growth

Why it matters

All food supply chains need to be on track towards net zero to meet national climate commitments and consumers are facing calls to eat less meat and fish on environmental grounds. There is a huge opportunity to gain trust from consumers by giving them sustainable choices and the facts about the true footprint of their food. We are excited by the opportunity for substantial sustainable growth in aquaculture and for farming livestock within planetary boundaries.

Our engagement in collaboration during 2020 has increased despite the cancellation of almost all physical meetings from mid March onwards. We took the opportunity to develop a global dialogue via the rapidly improving virtual meeting platforms. We were able to build new alliances and attend more meetings with improved participation compared with previous years. We attended and spoke at national and global conferences and were elected into additional governance roles that help us to deliver our objectives.

We are optimistic for the sustainable future of all the key proteins that we produce and have focused our efforts where we can make the greatest impact.

We are leading collaborative action to address the key environmental challenges, shaping and guiding agendas and driving uptake of innovation at scale.

Highlights

- In 2020 we were elected as vice chair of the European Roundtable for Beef Sustainability and we are leading the Environmental work streams in the UK Cattle Sustainability Platform.
- We are founder members of the Soy Transparency Coalition that aims to help supply chain companies and investors overcome transparency challenges in the soy sector to deliver a sustainable production system.
- We are working with our suppliers and wider collaboration to achieve shared Science Based Targets with a focus to address the carbon footprint of livestock production and utilise renewable energy.
- We have achieved that 98% of our direct supply wild caught fish is certified to the MSC. We fund and actively participate in Project UK Fishery Improvement Programmes to bring the remainder to certification.
- We have helped convene the aquaculture value chain to promote the uptake of algal oils and novel proteins such as insect meal. We are pleased that our main salmon suppliers are now using these in their mainstream feeds or in large scale trials.
- We are actively participating in the governance of the GlobalGAP aquaculture and Marin Trust standards, ensuring the sustainability of the farmed fish we purchase and the fisheries used in their feeds.

UKCSP
UK Cattle Sustainability Platform

SOY TRANSPARENCY COALITION

ERBS
European Roundtable for Beef Sustainability

SUSTAINABLE SOY FOR LIVESTOCK FEED

Ensuring the soy used in animal feed is not contributing to deforestation is of concern for all our livestock species. This needs to be tackled through collaboration within sectors and between them.

Hilton are part of a group of salmon farmers, feed companies, and market facing processors and retailers that had a shared vision of ensuring that the Brazilian producers we buy our soy from would be the first traders to have 100% deforestation and conversion free supply chains. The Soy Protein Concentrate used in our salmon feed has been certified as sustainable for some years but that was only part of the market for the four producers, who supply the global salmon industry.

After months of collective dialogue, that recognised the challenges they faced, we were very proud to see all of the producers agree to a 2020 cut off date and a robust monitoring and verification process.

This achievement is a first step to the objective of biome wide commitments to ending deforestation. We are working within the group of signatories to the Statement of Support ("SoS") for the Cerrado Manifesto – the SoS supports the objectives defined in the Cerrado Manifesto and signatories "commit to working with local and international stakeholders to halt deforestation and native vegetation loss in the Cerrado".

UN SDG Alignment

13 CLIMATE ACTION

HIGH QUALITY BEEF FROM DAIRY COWS IN THE NETHERLANDS

Dairy cows are specially bred for milk production while the premium beef market in the Netherlands is met by imported meat from Irish or South American cattle that are bred and reared on beef farms.

This project was aimed at 'finishing' the ex dairy cattle on a dedicated beef farm with a diet that results in great eating quality. By giving the cows this highly-nutritious diet, that is mainly locally sourced, the meat quality is significantly improved.

The cattle are supplied by a group of sustainable dairy farmers who are working to high animal welfare standards. They are also focused on reducing the carbon footprint and looking after the biodiversity around the farms. By joining in this partnership with the beef farmers they get a better price for their cattle.

It's a win-win as there is an overall reduction in the carbon footprint of 18-43% compared to dedicated beef cattle, while appealing to a demand for locally produced sustainable food.

The project was set up by Hilton Foods Holland in partnership with Albert Heijn, A-ware and local farmers. The next phase is building platforms in the industry to allow this system to grow in an economically sustainable way for farmers.

This is one example of innovation and sustainable thinking that Hilton, together with our retail partners, are leading to reduce the life cycle impacts of our products.

REDUCTION IN CARBON FOOTPRINT

18–43%

UN SDG Alignment

13 CLIMATE ACTION

Sustainability report
continued

PACKAGING

Our aim is to achieve circular recycling and minimising the footprint of packaging in its production and use. We achieve this through innovation, making it easier for the consumer to recycle and by increasing the recycled content in our packaging. We also apply the same principle to the packaging used for our raw materials to ensure we are using the most sustainable packaging across our value chain.

Commitments and objectives:

1. All our retail packaging will be fully reusable, recyclable or compostable by end of 2022
2. All paper and board used will be 100% sustainable by end of 2020
3. Achieve a minimum of 50% average recycled content across all plastic packaging by end of 2022
4. Reduce the weight of our plastic packaging whilst ensuring it remains fit for purpose
5. Give focus to the packaging that our raw materials are delivered in to ensure our suppliers are aligned with our sustainability objectives

Why it matters

We need our packaging to protect food safety and quality, which also prevents food wastage throughout the value chain. To address climate change and the impacts of plastic waste on the environment we need to transition to a circular low carbon economy. This requires globally aligned action to provide the recycling infrastructure and incentives needed to achieve this. We are having a positive impact on the journey to net zero carbon economy by using paper and board from sustainably managed forests, and increasing the recycled content in all our packaging.

Highlights

- We have made a huge step towards our recycled content and recyclability targets, 89% of our meat trays are made from 100% recycled PET and are fully recyclable, so 98% of our beef mince is now packed in recyclable plastic trays.
- We have achieved our target to only use 100% sustainably sourced paper and board (from FSC or PEFC sustainably certified forests) across all of our retail packaging globally.
- On average over 70% of our plastic packaging is made from recycled content.
- The remaining barriers to making all of our trays recyclable have been identified and are being overcome. We removed 18 million pieces of non-recyclable packaging from our products in 2020, and 93% of our black and coloured trays are detectable so can be effectively recycled.

We are using innovation and our scale to drive transformational development of sustainable packaging and move towards a circular economy across our value chain.

- We are making rapid progress to reduce the weight of our packaging. We took out 130 tonnes of plastic a year by reducing the weight of our retail packaging in our Seafood business last year and plan to save another 1,000 tonnes of plastic annually across the globe in 2021.
- To achieve a fully circular economy for our packaging we are working with the Carbon Trust as the first company to evaluate our packaging against their new circularity standard and to address any remaining challenges in partnership with our suppliers.
- We are working in partnership with our meat and fish suppliers on innovative solutions to address the challenges in our supply chain packaging. This includes trials to replace polystyrene salmon boxes with circular recyclable cardboard and reusable trays. We are also evaluating chemical recycling of primal bags to achieve our 100% recyclability goal.
- We launched 'Jazz' packaging in the UK, recycling coloured bottles into 70 million recyclable meat trays.
- We proved that a fully circular economy for meat packaging is possible in a collaborative project with Færch Plast, Coop, Hilton Denmark, in Copenhagen. We sold 50,000 packs made from recycling meat trays collected in partnership with the city recycling centre.

CARBON TRUST FOOTPRINT MODELLING

We have partnered with the Carbon Trust to create a model for measuring the carbon footprint of our existing packaging and to help us make the correct decisions on new alternatives.

We use accurate measurements of the energy used in the manufacturing and packing of the products and other factors such as the transport type and distances from the manufacturers to our sites.

Finally we consider the recycled content, recyclability and actual recycling rates in the countries where we sell the products.

CARBON TRUST

UN SDG Alignment

13 CLIMATE ACTION

INNOVATING TO INCREASE RECYCLABILITY AND REDUCE PLASTIC USE

As part of our targets to increase the amount of our packaging that can be recycled, while minimising our use of hard to recycle plastics, we have worked with our strategic packaging suppliers to launch a new format of paper based trays.

Because the body of the tray is made from paperboard, these trays use 75% less plastic. The film liner can then be easily separated so that the tray can be recycled. The trays themselves are sourced from renewable PEFC/FSC managed forests.

Across our Australian, Swedish and Belgian market this equates to a reduction of 256 tonnes of plastic annually.

REDUCTION IN PLASTIC USING PAPERSEAL TRAYS

-75%

WORKING TOWARDS COMMON GOALS

We have joined the European and Australia/New Zealand Plastics Pacts to ensure our global targets are standardised and meeting common societal goals. In 2020, the Australian Packaging Covenant Organisation ("APCO") developed the ANZPAC Plastics Pact and alongside the European Plastics Pact this will form part of the Ellen MacArthur Foundation's Global PlasticsPact Network, of which we are already an active participants of in the UK.

APCO AUSTRALIAN PACKAGING COVENANT ORGANISATION MEMBER

EUROPEAN PLASTICS PACT

THE UK PLASTICS PACT

PLASTICS PACT | AUSTRALIA, NEW ZEALAND AND THE PACIFIC ISLAND NATIONS

Sustainability report
continued

RESOURCEFUL FACTORIES

We are proud to be world leaders in processing innovation and our factories are the most efficient in their sectors. We're focusing on engaging everyone in our business to continually find ways to reduce our environmental impact.

Commitments and objectives:

1. Achieve Science Based Targets for our Scope 1 and 2 emissions by 2030
2. Improve usage efficiency by 10% in both energy and water – by 2025 (vs 2018 baseline)
3. Through Champions 12.3 cut our own food loss and waste in half – by 2030 (vs 2019 baseline)

Why it matters

As an industry we now have more tools than ever to drive our emissions down and minimise our impact. This is why our customers and their consumers are increasing their expectations of efficient supply chains. We are rapidly approaching irreversible global warming tipping points and we must act now. HFG operate in some challenging markets in terms of carbon emissions from energy sources and we are committed to finding solutions to minimise these emissions which will be key to meeting our goals. We are also fully aware of the carbon emissions savings potential by reducing food waste, that's why this is one of our key priorities in our business. We have clear water reduction targets and are continuing to build our risk assessment and mitigation plans for physical water impacts at all of our sites with sustainability as a foundation of our investments, upgrades and construction of all sites.

Highlights

- Towards the end of 2020 we launched our 'War on Waste' which is an internal operations efficiency programme to ensure we meet our water, food and packaging waste reduction targets. This is driving employee engagement and ensuring consistent messaging across our sites.
- Publicly reporting our total food waste as a percentage of total food produced in line with our Champions 12.3 commitment.
- In the UK alone we reduced food going to waste by 20% last year.

We are on a path to net zero carbon and constantly reducing our environmental impact by eliminating waste and driving resource efficiency.

- Committed to setting Science Based Targets to a well below 2-degree scenario for our own operations.
- We have restructured some of our processes and operations through colleague led initiatives in order to reduce emissions and waste while maximising efficiency.
- Waste and rain water in our Portuguese plant is treated at our water treatment station where we recover 20m^3 a day to be reused within our refrigeration condensers. This negates the need to use fresh water to cool the condensers.
- In our seafood site we collect solid material from our wastewater streams to send for anaerobic digestion in order to create energy.
- Across our global sites we are actively reviewing refrigerant gas selections and moving towards natural sources which reduce our carbon emissions.
- Our live energy monitoring systems, which we have been installing across our sites are successfully delivering day-to-day savings.
- We are installing electric vehicle charging points across our sites, in the UK we will have 16 points installed by the end of the year.
- As an example of our commitment to protecting local water sources, we have installed interceptors to filter out oils and prevent these chemicals from entering the local water systems.
- HFI were the first HFG site to achieve the ISO 50001: 2018 Standard and for the full year of 2020 delivered a 13% reduction in kwh/tn of output versus 2019.

HILTON FOODS IRELAND

We are constantly striving to minimise our environmental impact and make our factories more efficient. Natural gas usage is a key target area for these reductions.

One key project objective was to use cold water where possible for wash down purposes. Using hot water where necessary and cold water for other processes. This will allow for a reduction in gas usage and an increase in heat recovered from the refrigeration system.

In order to make this achievable we installed secondary water pumps and associated piping infrastructure to the water satellites in production.

This has the potential to reduce gas usage for wash down procedures by 40%.

PACKAGING WASTE REDUCTIONS IN OUR POLISH FACTORY

We have identified internal packaging waste generation as a key improvement area in our factories.

The process that we are adopting is first to target and measure the waste volume and drivers. In our Polish fresh food and meat site we identified that we had a packaging waste loss of around 6% in 2019. Split into five main categories Trays, Labels, Cartons, Film and Foil.

In 2020 we heavily targeted this and have seen massive improvements, reducing this waste volume by around 50%.

In order to achieve this we set up a specific waste action group with four key action areas for operational improvements whilst also seeking packaging changes and innovations that would reduce the probability of waste.

In 2021 we have a programme of trials and changes planned to reduce our packaging waste even further.

REDUCED PACKAGING WASTE VOLUME

-50%

UN SDG Alignment

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainability report continued

TRANSPARENCY

Hilton is committed to working in an ethical, open and honest manner to produce products of the highest food safety and quality. We partner with the best suppliers that share this commitment to quality, safety, animal welfare and sustainability.

Ensuring the sustainability of food requires transparency across the value chain to prevent negative environmental and social impacts. New technologies and tracing methods will inform consumers about the origin and methods of production, and how human rights are ensured.

Commitments and objectives:

1. Establish full chain visibility and data collection through innovative digital technology – by 2025 (includes fully interoperable seafood traceability systems from boat and farm through each step of the supply chains)
2. Use TCFD framework to further understand and report climate risks and opportunities

Why it matters

The ever growing demand to be transparent is a key driver for change from top to bottom. Our core business objective is to be a trusted partner of the retailers we supply, and we can achieve this through transparency. There is the potential for reputational damage to us and our customers should authenticity challenges be made. Consumers lose trust in the positive claims if they cannot be verified. Reputation damage and fines can also be linked to deforestation or IUU fishing so it is vital we demonstrate we do not contribute to these actions. Authenticity of action is now being scrutinised more than ever by the finance sector therefore we need to be able effectively demonstrate our progress to strengthen our industry.

Our industry leading transparency solutions and open reporting demonstrate our responsible business progress and strengthen trust in our industry.

Highlights

- Received a 'B' climate disclosure score from CDP along with our first scored forestry disclosure.
- BBFAW tier 2 status maintained demonstrating that animal welfare is integral to business strategy.
- Building the tools with Foods Connected to give immediate transparent traceability and collect and analyse the data.
- Using our data collection technology to measure and report on the status of our supply chains and positive impacts.
- Aligning to interoperable traceability protocols such as the Global Dialogue on Seafood Traceability.
- Building fast moving projects with suppliers and retailers aligned to their specific objectives.
- Incorporate learnings from our TCFD analysis to future proof our business and ensure our day-to-day decisions are guided by sustainability and ethics.

For more information on CDP responses see
www.hiltonfoodgroupplc.com/responsibility

A DIGITALLY CONNECTED FOOD SUPPLY CHAIN TO DELIVER TRANSPARENCY, SUSTAINABILITY & EFFICIENCY

Hilton are consortia members in a collaborative research and development project to demonstrate how state-of-the-art technology can be implemented in a commercial environment to present a transparent supply chain which is accurate and accessible in real-time. We will work with our software partner Foods Connected to develop an interoperable digital platform that integrates with existing systems to capture traceability information from farm to fork. It will remove the requirement for double handling of data and manual intervention. This technology will reduce cost, waste and ensure product integrity, using cryptography to establish a tamperproof ledger of data. By embedding this connected mechanism for data capture the potential for food fraud is significantly reduced. Proof of concept for rapid testing techniques e.g. antibiotic residues will be explored with the view of future utilisation within the food industry for real time surveillance.

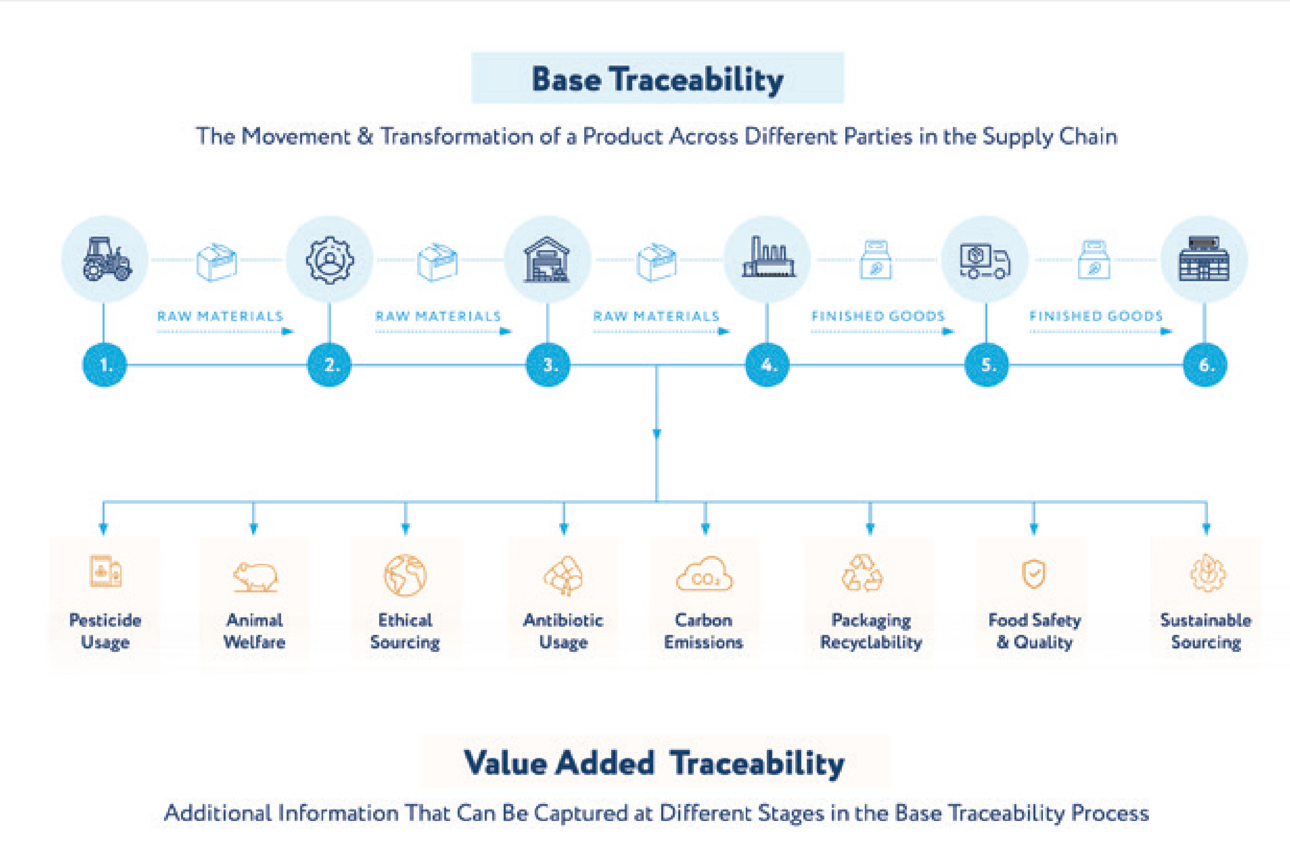
The project will utilise innovation in digitisation and automation, integrating with Internet of Things (IoT) devices to capture information at a farm level to support traceability and provide data on welfare and product quality. It will also enable farmers, food manufacturers, retailers, and quick service restaurants, ("QSR"), to integrate internal systems with a fully interoperable platform.

Data Flow Mapping will be used to show how Key Data Elements ("KDE's") are captured at Critical Tracking Events ("CTE's") in the supply chain. We will identify who captures the data, at what points in the chain and the methods used. A new system architecture will be designed to automate and link traceability events together whilst protecting data security and ensuring a tamperproof platform.

This project allows farmers, processors, retailers and quick service restaurants to accurately map supply chains and trace products alongside key value-added metrics such as animal welfare, sustainability and antibiotic usage. This will enable faster, evidence-based decisions promoting proactive issue management.

The enhanced transparency will enable us to better communicate to consumers the true value behind their food, maintaining and enhancing trust and loyalty.

UN SDG Alignment



Sustainability report continued

Food Safety and Quality

Hilton Food Group is committed to working in an ethical, open and honest manner to produce products of the highest food safety and quality. This is underpinned by our Group Quality Policy which outlines our commitment across the Group to:

- Food safety, product quality, legality and integrity;
- The achievement of customer satisfaction by adherence to product specifications and service requirements;
- Adequate resources in the pursuit of 'Continuous Improvement' for our products, processes and our people; and
- A programme to develop a food safety culture. Our commitment to food safety and quality combined with our first-class manufacturing facilities and our customer focus makes us the first choice for our retail partners.

Factory standards and quality systems

We are proud of our modern, specialised processing and packing facilities which use state-of-the-art production equipment, including a high degree of automation and the use of robotic equipment which minimises handling. This combined with our high standards of hygiene and temperature controls ensure we meet our customers' expectations for quality throughout the product's shelf life.

Our well trained production operatives are responsible for the quality of our retail partners' products and they are supported by highly qualified and experienced quality assurance and technical teams at each site. We have developed our own HFG Factory Standards to ensure both our new and existing facilities are set up and operate to the highest standards. In addition each of our sites undergo independent third party accreditation to a Global Food Safety Initiative ("GFSI") recognised certification scheme.

Our retail customers make frequent visits to our sites, which in some cases includes unannounced audits and visits as part of their own surveillance. 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. All of our sites received the highest levels of third party and customer audit results in 2020.

We maintain strong links with academia and technological advances, working alongside Campden BRI, Danish Meat Research Institute and Teagasc Ireland. We are also active members of a number of trade associations such as British Meat Processors Association, Food and Drink Federation and Seafish.

Product Standards and Responsibility

The quality of the raw materials used in our products contributes significantly to the achievement of consistent finished product quality. We work closely with our suppliers to set clear specifications for the products they supply. Monitoring incoming raw material quality combined with close control of the processes we follow in our manufacturing operations ensures we are able to consistently meet the best in class specifications our retail partners set for our products.

Our product innovation capability is industry leading with local and regional centres of excellence for each of the food categories we produce. We have specialist teams at each of the sites and we share expertise in product and process development across the Group. Our creative team includes many qualified chefs who utilise the market insight teams and consumer focus groups to ensure our new product launches have a high degree of success.

Hilton's approach is to only use ingredients and additives where required to increase food safety and ensure product stability and quality. We comply with our customers' lists of prohibited additives, and actively reformulate where we can to remove artificial ingredients and unnecessary additives.

We are also supporting the reformulation of products to reduce the total salt and fat in food, and increase fibre in line with customer health targets and following FSA/EFSA guidance. Where possible we eliminate known allergens and clearly label them when present.

All of our sites have in house testing facilities for raw material and finished products including organoleptic and physical assessment. We operate laboratory facilities in a number of our sites which carry out microbiological and chemical testing. These are operated by fully trained personnel and have appropriate local accreditation.

We have a comprehensive product recall policy and mechanism, that is verified by simulated tests, and is integrated into our wider business crisis management systems.

Supply Chain Integrity, Environmental Impact Assessment and Traceability

We partner with the best suppliers that share our commitment to quality, food safety, animal welfare and sustainability. We are committed to ensuring the integrity and traceability of the raw materials we use in our products, this includes the meat, fish, ingredients and packaging. We have developed our own Supplier Standards for each raw material group which clearly state the standards we expect our suppliers to operate to.

Audit frequency is determined by risk assessment which looks at a combination of raw material and supply chain threat and vulnerability, horizon scanning and supplier history. We have full traceability back to the farms and fishing vessels that supply the slaughter operations and primary processing factories in our supply chains.

Audits are carried out by our own team of qualified auditors or second party auditors against the Hilton Food Group Supplier standards. In addition, the majority of our suppliers are certified against GFSI benchmarked standards by independent audit bodies. For new suppliers our policy is to take from only GFSI certified suppliers. The current GFSI certification status of our supply chains is 93%. These audit processes have been in place for more than three fiscal years.

All Seafood is environmentally risk assessed in accordance with the Sustainable Seafood Coalition Codes which we helped develop as the first founding member. Currently over 98% of our wild capture volume is from certified fisheries and over 99% of our farmed fish and shell fish are from certified farms (ASC, GlobalGAP, or BAP). All other fisheries are Risk Assessed against the most relevant data sources such as ICES stock assessments, Seafish RASS, Sustainable Fisheries Partnership Fish Sources, and Marine Conservation Society. We do not source from any High Risk fisheries where there is no data available or there is proven poor fishery status, prevalence of illegal fishing, lack of management, or very high environmental impact.

We also buy directly from many fishing vessels that freeze their catch at sea giving us direct relationships with the major fishing quota owners.

We exercise due diligence in establishing the legal origin of seafood products and marine ingredients used in the feed for our farmed fish, and base our systems on the BSI PAS 1550 standard (for eliminating Illegal Unreported and Unregulated ("IUU") fisheries) which we helped to develop. This includes audits of the feed producers and for the highest risk supply chains the fishmeal plants that supply them. Hilton Seafood have signed to support the Environmental Justice Foundation Charter for Transparency.

We hold Group Marine Stewardship Council certification for all of our manufacturing facilities that use fish, with annual compliance audits by the certification body. Hilton Seafood are founding, funding and active participants in multiple Fishery Improvement Projects to bring the remainder of our supply to certification or to develop new sources of supply. Hilton Seafood disclose all of our source species, fisheries and fish farming areas on the Ocean Disclosure Program website.

All farms, livestock facilities and slaughter facilities for farm animals, and >99% of farmed fish supplying Hilton Food Group UK, Ireland and Sweden, and the majority supplying to the other European and Australian markets are certified to independent farm assurance schemes. Where required assurance may be to higher welfare schemes or organic standards.

We have developed Livestock farming and abattoir welfare standards in partnership with our retail customers. 100% of our livestock slaughter facilities are audited by a welfare qualified auditor, either to the Hilton Group Supplier Standard by our own team of welfare trained auditors, independently using a dedicated second party, or by auditors employed by our retail partners. Hilton Seafood UK directly employs farmed fish welfare officers to audit all farmed fish slaughter facilities globally and the fish farms and hatcheries that supply them.

Our supplier approval process gives us full transparency on the safety, quality, traceability and provenance of the raw materials we use. This ensures our product labels correctly describe the provenance of the product, including its species and country of origin so that consumers can have trust in the products we produce.

Our Seafood Standard includes additional requirements on fishery management, and environmental impact mitigation in fisheries and aquaculture.

Hilton actively review and engage in the sustainable development of our agriculture supply chains. We work alongside our suppliers to address the footprint of our supply chains including factories abattoirs and farms, and we are building decarbonisation and water stewardship plans for each sector with our key suppliers. This includes addressing the GHG footprint of animal feed and other environmental risk areas.

We engage in the leadership of collaborative action to address the footprint of soy and cattle farming with the Soy Transparency Coalition, European Round Table in Beef Sustainability and UK Cattle Sustainability Platform. Our engagement is described in more detail in the Sustainable Supply Chain pillar.

Hilton additionally review welfare and environmental risks by using external data sources (for example lice counts, benthic scores and mortality in farmed salmon). For our aquaculture supply we are working with low stocking density farms where the environmental outputs are lower than standard with additional welfare benefits.

Hilton continually develops and refines testing methods, data collection and reporting. Samples collected from raw material deliveries are assessed for compliance to microbiological standards and agreed quality specifications. Results are used to assess the performance of suppliers and achieve continuous improvement. We conduct a wide range of authenticity testing to evaluate new supply chains and to monitor existing ones. The tests include speciation and screening for adulteration using chemical and DNA methodologies at accredited specialist laboratories. We are members of the Food Industry Intelligence Network where we compile industry wide compliance statistics and share intelligence on suspected food fraud.

Sustainability report continued

ANIMAL HEALTH & WELFARE

We meet our animal welfare commitments by collaborating with suppliers, retailers, and NGOs to improve the lives of and ensure the health of the animals in our supply chains. Alongside our focus on the sustainability of our products we will ensure there is no compromise in animal welfare.

Commitments and objectives:

1. Continued development of HFG animal welfare standards for abattoirs to encourage innovation and the adoption of best practice. Measuring improvements through our outcome measures reporting framework
2. Lead in the development and implementation of humane slaughter for aquaculture
3. Ensure responsible antibiotic use throughout our supply chain

Why it matters

Animal welfare is important to us, our retail partners, and their consumers. We react to improving science in animal welfare and adopt new innovations that improve the lives of animals. Society is demanding more transparency and there is an increasing awareness of animal welfare across all of our species from investors and NGOs. Our customer insight shows that animal welfare is important to consumers. We actively promote and engage in standards development to deliver transparency and address welfare improvements in our supply chains.

We have increased the transparency of the animal welfare standards within our supply chains. This year we revised our animal welfare policy and issued our animal welfare statement which can be found on our website and will be updated annually. Our animal welfare statement details our approach and implementation of animal welfare, it includes our eight animal health and welfare objectives and details our progress against them. We are also increasing our contribution to industry working groups to improve the lives of animals in our supply chain and the markets we operate in.

We are driving uptake of innovation and developing standards that advance welfare and reduce the need for antibiotics throughout our global supply chains.

Highlights

- We were recognised by the Business Benchmark in Farm Animal Welfare as having achieved tier 2, which demonstrates animal welfare is integral to our business strategy.
- Reviewed our animal welfare policy and published our annual animal welfare statement, which demonstrates in detail our progress against our animal welfare objectives.
- This year we joined the Global Coalition for Animal Welfare which is a unique forum for organisations to come together to address welfare challenges.
- We improved our animal welfare oversight by developing an annual animal welfare survey to gather detailed animal welfare data for our supply chain.
- We are involved in a number of industry working groups to influence the progression of animal welfare including the European Roundtable on Sustainable Beef and Global GAP standards committee.
- As part of our annual audit of suppliers abattoirs we have an animal welfare section. We are developing a further standard that gives our customers the option of a more in depth animal welfare standard.

BBFAW
Business Benchmark on Farm Animal Welfare

VIETNAMESE PRAWNS

One of our core animal welfare objectives is that all animals and farmed fish are effectively stunned prior to slaughter. We adopted a new innovation during 2020, the first global introduction of electrical stunning in a commercial prawn farm. We completed a number of trials in 2020, which were independently evaluated by animal welfare experts. Since July, 80% of the farmed prawns (P. vannamei) in our supply chain have been electrically stunned.

UN SDG Alignment

14 LIFE BELOW WATER

Prawn stunner timeline

2015 – STUDY
Hilton Seafoods UK carried out a study of stunning techniques across all aquaculture supply

2016 – DEMONSTRATION
We took our suppliers of Sea Bass and Bream to Salmon farms to demonstrate the technology

2018 – EQUIPMENT IN USE
Took our Vietnamese prawn supplier to Turkey to see the equipment used during harvest

2019 – PROTOTYPE DEVELOPMENT
Coordinated development of prototype for electrical stunning of prawns

Q1 2020 – TRIALS
First trials in Vietnam

Q2 2020 – PRAWN WELFARE
Prawn stunning welfare reviewed and approved by independent expert

Q4 2020 – A GLOBAL FIRST
Introduced into Hilton Food Group commercial supply as a global first

Sustainability report continued

ETHICAL SUPPLY CHAINS

Hilton is rapidly expanding globally with complex multi-tier supply chains, any of which has the potential to increase the risk of ethical concerns.

Commitments and objectives:

1. Comprehensive supply chain ethical compliance agreements and assessment programme
2. Driving collaboration and standards development to assure transparency and address welfare improvements in our supply chains
3. Conduct human rights impact assessment in accordance with OXFAM guidelines in Vietnamese farmed prawns

Why it matters

Developing an expert partnership with our customers is key, along with compliance and alignment to their criteria. This makes us industry leaders and promotes a responsible and caring company culture where we can use ethical best practices to drive transformational change throughout our supply chains. By promoting ethical standards development to assure transparency and address welfare improvements we are delivering validated due diligence to our stakeholders.

We are on a journey of increasing transparency of the ethical standards within our supply chains and our engagement in improving the safety and wellbeing of the people working within them and those supported or otherwise impacted by them. This journey takes us further up the pyramid of progress as shown in the diagram opposite. Whilst we have progressed into some aspects of leadership we recognise the importance of getting our policies, standards, assessments, and engagement in improvement consistent across the group. To achieve this we have built a global supply chain ethical risk assessment system that incorporates the SEDEX platform, of which we are A/B members. This includes remediation and mitigation procedures.

We have published a Modern Slavery statement that demonstrates our commitment to raise awareness, identify and address any such abuse of people within our supply chains and our own factories. This is supported by continued modern slavery and ethical trading training for our Executive Leadership Team, MDs, managers and employees.

We are leading collaborative action to improve the lives of workers across our supply chains.

Highlights

- Developed global supplier ethical risk assessment system and remediation and mitigation procedures.
- Completed our first Human Rights Impact Assessment in Vietnamese farmed prawns in partnership with Tesco.
- Governance roles in Food Network for Ethical Trade and the global Responsible Fishing Vessel Scheme improving transparency and best practice in supply chains.
- Publication of Modern Slavery statement that demonstrates our commitment to minimise likelihood within supply chains and own factories.
- Continued Modern Slavery, due diligence and ethical trading training for managers and employees across our sites.
- We provide anti-corruption training to all relevant employees, including management.

RESPONSIBLE FISHING VESSEL STANDARD

FNET

Sedex

HUMAN RIGHTS IMPACT ASSESSMENT

During 2020, in collaboration with Tesco and our local supply chain partners, we commissioned our fist independent Human Rights Impact Assessment ("HRIA") in Vietnam for our farmed prawns. HRIAs are a process for identifying, understanding, assessing and addressing the positive and adverse effects of the business project or activities on the human rights of impacted workers and community members. We were able to include all the tiers of our supply chain within Vietnam in the study: factories, farms, hatcheries, feedmill, and fishmeal.

The study was carried out in accordance with Oxfam guidelines. They were able to complete the assessment safely in person using a local team.

The assessment identified good practices and some improvement opportunities. The participants worked together in the development of an action plan for engagement to address the gaps and share the best practices identified.

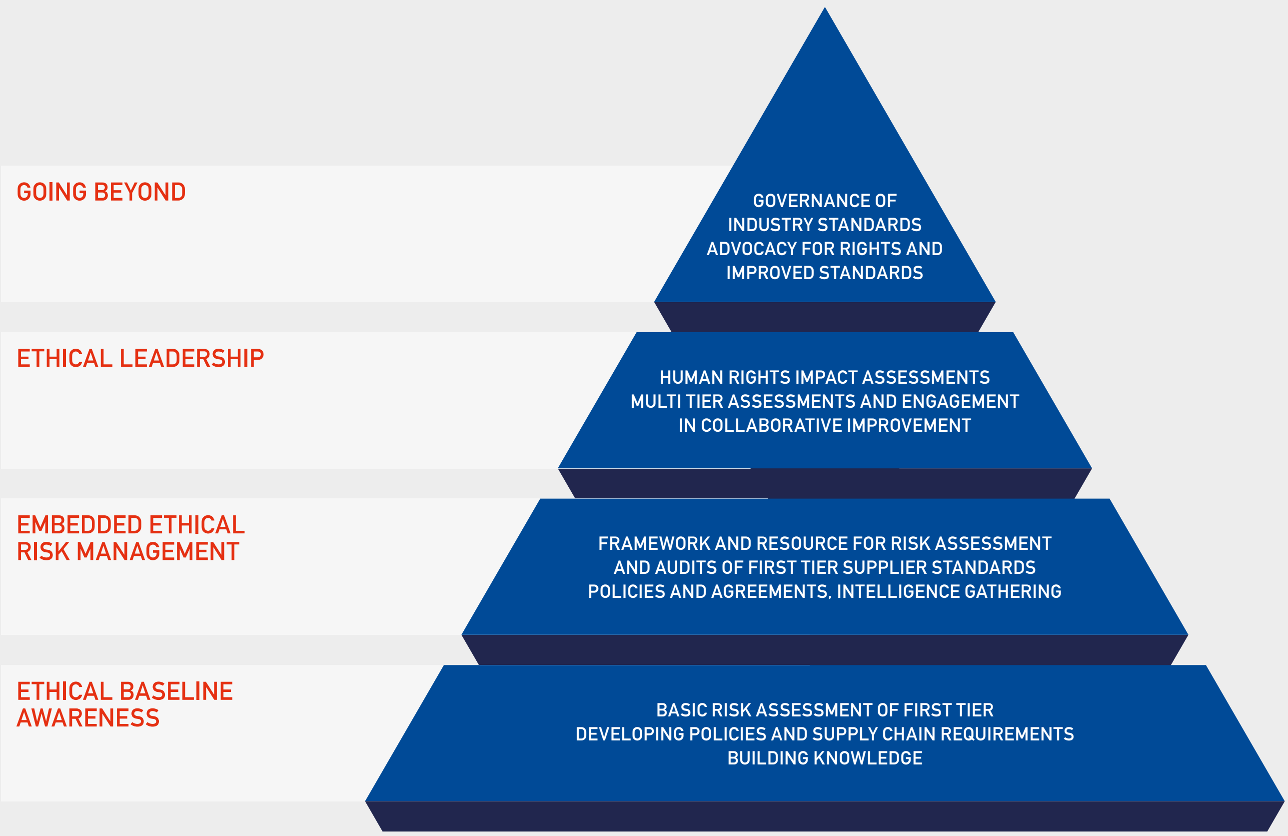
We are committed to using the learnings to strengthen the recruitment and worker welfare processes and conditions in Vietnam and to use the learnings elsewhere.

We found this process helped considerably in our positive engagement with our suppliers and will continue to use this approach in our supply chains. The study contributed towards alignment with the UN SD Goal 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

UN SDG Alignment

8 DECENT WORK AND ECONOMIC GROWTH

OUR ETHICAL JOURNEY



Sustainability report continued

CONSUMER HEALTH INNOVATION

Hilton believe we have a responsibility to make it easier for consumers to identify the most healthy and sustainable option. We are using innovation to provide consumers healthy food choices in line with dietary recommendations. We want to help consumers make ethical and sustainable choices for both their health and the planet. We promote healthy choices and provide ranges of affordable products with lower fat and salt content to help people to reduce these in their diets.

Commitments and objectives:

1. Provide consumers with the facts on the role of nutritious proteins in a diet that is healthy for us and the planet
2. Assess the environmental and nutritional science to support the health and sustainability credentials of our seafood and vegetable proteins
3. Industry leading innovation in vegetable proteins

Why it matters

There is a demand by consumers for food that is healthy for themselves and the planet. Social consciousness is of growing importance to consumers when making decisions about their lives and the food they eat. Covid-19 has heightened consumers' awareness of diet and health, with research showing increased consumer interest in natural, immune boosting foods and looking for local safer food options as well as indicating an increased interest in food provenance and sustainability. The concept of sustainable diets is not new to the food industry. Shifting to sustainable food consumption has been highlighted as a key pillar for the UN 2021 summit and also in the EU farm to fork strategy.

The need for dietary shifts worldwide is made clear with the rising challenge of obesity, and the gap between recommended dietary choices and actual consumption.

We are monitoring how consumers are thinking about food and its impact on their health. For example:

– 57% of global consumers allow the impact of a product on their health and wellness influence their purchase all or most of the time (Source: Global Data).
– 63% of UK consumers try to eat healthy some or all of the time (Source: Mintel).
– 46% of Polish consumers are prioritising healthier products more than before the pandemic (Source: Mintel).

Highlights

– We conducted consumer research in the UK that shows how health and sustainability are rapidly growing in importance as drivers of diet choices.
– We developed a science based narrative on the positive role of meat in the diet, comparing the footprint of meat with its nutritional value.
– In the UK a report was prepared for the DEFRA Seafood 2040 strategy team (Hilton are members of the Leadership Group) that demonstrates the clear health benefits from increasing the consumption of seafood in diets.
– Since September 2019 we have seen a 300% growth in retail sales of vegetable protein based foods.
– Hilton Seafoods developed a range of higher fibre breaded and lightly dusted products. This doubled the fibre content of the coated fish which is equivalent to an extra 27 tonnes of fibre per year.
– For Tesco UK we launched several vegan Christmas items in the Wicked Kitchen Brand. The Wicked Kitchen No Turkey Crown was the top-selling meat alternative Christmas product. Making it easy for consumer to switch to a plant-based Christmas dinner.
– We've introduced a range of products globally, incorporating vegetables in products that were originally 100% meat. This enables consumers to balance their meat and vegetable consumption without changing their favourite meals. They help consumers to reduce their fat intake.

Ensuring our consumers can make balanced choices that are healthy for them and for the planet.

DEVELOPING A FRAMEWORK FOR SUSTAINABLE AND BALANCED DIETS

The FAO define sustainable diets as diets with low environmental impact which contribute to food and nutrition security and to healthy life for future and present generations.

As an initial analysis in 2020 we developed a framework to communicate the role of red meat in a climate friendly food system. The outcomes show that red meat plays an important role in a balanced diet, allowing us to advise our customers when developing future category strategies. Using the latest climate science and the potential for carbon reduction innovations we can demonstrate that red meat can deliver these nutritional benefits within climate change boundaries.

Protein demand will double by 2050 and a balance of sources are needed that can meet the full nutritional requirements of a growing population. Livestock also utilises feedstock that we cannot eat directly, can be raised on marginal lands for other food crops, significantly contribute to global economies and play a key part in positive regional and global culture.

We are in the process of developing this framework for other proteins in further consultation with scientists, our suppliers and our customers.

UN SDG Alignment

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainability report continued

TCFD DISCLOSURE

Introduction

In 2019, Hilton Food Group stated its commitment to implementing the Task Force on Climate-related Financial Disclosures recommendations ("TCFD"). We recognise climate change as an environmental threat, and that governments, industry and wider society need to act together to mitigate the effects. This poses potential challenges to and opportunities for our global food business and value chains. This is HFG's first TCFD disclosure and explains how our climate risk and opportunity assessments are being conducted, how they fit into our broader ESG policies and how we are driving engagement across our business.

Governance

Our CEO, as part of our commitment to sustainability, leads our positive response to addressing climate risk and opportunities.

Climate risks' (physical and transition) severity, impacts and mitigation are considered within the Hilton Risk Management Committee and reported to the Hilton Audit Committee, which recommends the risk categorisation and mitigation measures for final approval by the Board.

A Non-Executive Director chairs the new Hilton Sustainability Committee, formed in the latter part of 2020, and our CEO is a member. It advises the Risk Management Committee on climate risks and opportunities, and seeks expert advice externally. The role of the Sustainability Committee is to review the strategy to address climate risks and opportunities, and to monitor progress in reducing our climate footprint and the footprint of our supply chains.

These committees meet regularly throughout the year, and work in synergy with overlapping membership utilising and ensuring broad reach of skills and expertise across the business. The Board has full responsibility to ensure the effectiveness of the risk management systems in place, and undertakes an annual review of the risks and opportunities identified by these committees. The Board convenes regularly and, where relevant, climate-related issues form part of the regular Board agenda. The Board has oversight of the business strategy to mitigate the risks and pursue the opportunities for Hilton to lead in the provision of low climate impact food.

The Executive Leadership Team oversees the strategy to meet our climate targets and to build a portfolio of products that align to shifts in demand. The operations teams, led by the Chief Manufacturing and Purchasing Officer, is responsible for climate risks mitigation at site levels. The CSR team, led by the Chief Quality and CSR Officer and the CSR Director, is responsible for climate risks mitigation across our supply chains. These teams oversee carbon reduction projects in partnership with customers and suppliers, and hold governance roles within industry collaborative forums.

The CSR governance structure is detailed in the diagram on **P56**

Risk Management

We recognise growing concern and the compelling science about the possible impacts of climate change across the world. At HFG climate change was previously recognised as an emerging risk, however the annual review process has elevated climate change to a Principal Risk (page 27), and we continue to develop our approach to climate change risk mitigation.

We have conducted an initial risk and opportunity analysis as shown in the table below. During 2021 we will perform a more detailed analysis of climate risks and opportunities, with support from expert consultants. This will consider our exposure to physical impacts from climate change on our operations and supply chains, and the impacts and opportunities from the transition to a low carbon economy.

For more details of our risk management process and principal risks see **P24**

Our Strategy

Our climate risk mitigation strategy is to reduce our operational climate change impact as well as to pursue the growth opportunities from providing lower climate impact food to an increasingly well-informed consumer.

In 2019, we formalised our eight pillar 'Quality Naturally' strategy, as described on page 32 using a materiality matrix that addresses the most important environmental and social topics for Hilton Food Group.

Category	Risks for Hilton	Opportunities for Hilton
Consumer behaviour shifts (Transition)	– Not aligning product portfolio to consumer trends resulting in reduced profits. – Cost to balance capacity and capitalise on growth sectors. – Reduced profitability from some parts of our portfolio.	– Growth in higher value and/or more profitable sectors where we have established expertise. – Development of lower footprint products and supply chains, including those local to sites. – Leading innovation in plant-based and blended products.
Government intervention to support decarbonisation of specific foods (Transition)	– If product pricing is adjusted to reflect the carbon footprint there could be a reduction in demand, leading to reduced profits from foods where the footprints have not been mitigated.	– Growth in sales from investment in low carbon factories and supply chains. – To provide consumers the choice to buy the foods they want with demonstrably lower footprints. – Increased availability of grants and subsidies to facilitate investment in innovative practices across our sites and supply chains.
Impacts if society's efforts are insufficient to prevent climate change (Physical)	Acute physical impacts such as flooding, water stress, and fire already have an impact today and may increase in frequency and severity. Chronic physical risks are more likely to manifest themselves over the longer term. However we considered it reasonable to assume that warming will be reduced by societies' measures to the point where the impacts on Hilton are not severe because: – Our sites are not in high physical water or fire risk areas so the impacts and disruptions are deemed to be low; and – There is a low risk of disruption to supply chains as we have the flexibility to adapt over time.	– To be leaders in the decarbonisation of our operations and supply chains to play our role in ensuring these impacts do not occur. – To ensure we are a preferred partner through the delivery of shared Science Based Targets with our retail partners. – To regularly review site planning in order to mitigate risk. – Investment in improving the energy and water efficiency of our sites. – To lead in establishing water stewardship initiatives in our supply base.

In 2020, we conducted an initial exercise to understand the climate change risks and opportunities on our operations and value chains as shown in this table.

To respond to these risks and opportunities, the Board and the Executive Leadership Team considered Hilton's strategy in preparing its transition to a low carbon economy. To fully exploit opportunities for low carbon food production, we firmly believe that our role is to ensure that consumers are able to choose from a range of sustainable and healthy proteins and to provide them with the right information to make these choices. To do this we are measuring and addressing the footprints of the foods we make, and diversifying our range into fast-growing low impact sectors. HFG will provide its partners with a balanced portfolio of meat and fish products that have significantly reduced environmental impacts, alongside growing its sales of plant-based alternatives.

Our consumer and market insight teams are mapping emerging consumer behaviour and following developing regulation, supported by our membership of trade associations such as the Food and Drink Federation.

To address our climate footprint the decision was taken to set Science Based Targets for our own operations and our supply chains that will lead to a net zero goal. This commitment has been communicated to SBTI, and we are in the process of determining the targets and our track to net zero.

To achieve these targets we are building decarbonisation plans for each of our operations in line with the path required to meet interim and final targets. We are also working with our key suppliers to build decarbonisation plans for our supply chains.

For our own operations we have commissioned Schneider Electric to build a decarbonisation plan for each of our electricity supply contracts, and assist us to set our Science Based Targets. In 2020 we continued to invest in energy efficiency projects that are detailed in the Resourceful Factories section of this report, and have committed to obtaining ISO 50001 energy management certification globally. We are seeking opportunities for investment and grant support for low carbon technology for both heat generation using renewable energy, and water capture and treatment, which we plan to introduce in due course.

As part of our work to achieve water efficiency and risk mitigation we utilise water supply buffer tanks to ensure we have access to peak water requirements when water supply is reduced. Where required we incorporate flood mitigation including run off water capture tanks to protect the local water systems.

For our supply chains HFG is actively engaged in the establishment and governance of collaborative forums that directly address reductions in the climate footprint of our key proteins and will contribute to our Scope 3 Science Based Target:

- We successfully sought election to the board of the European Roundtable for Beef Sustainability ("ERBS") of which we are now vice chair. The ERBS has set a target to reduce cattle emissions by 15% by 2025 and has established national platforms, including the UK Cattle Sustainability Platform, where Hilton are coordinating the actions to deliver the emissions reduction target.
- We represent ERBS in the Global Roundtable for Sustainable Beef setting Science Based Targets.
- In the Netherlands, we have collaborated with a dairy company to take ex-dairy cows and finish them to produce beef with an independently verified significantly lower climate footprint than dedicated beef cattle (see case study on page 39).
- We contributed to the UN Global Compact Action Platform for Sustainable Ocean Business report 'Accelerating Sustainable Seafood' that explains the key enablers for seafood to transition to net zero carbon and other SDG objectives.
- We are engaging in advocacy to end deforestation associated with soy and cattle in Brazil as one of the Signatories of Support for the Cerrado Manifesto. We took part in the successful negotiations, to set a 2020 cut-off date, with the traders supplying salmon feed companies. We are also founding members of the Soy Transparency Coalition that benchmarks soy traders on their programmes to halt deforestation.

Metrics and Targets

The key metrics that HFG uses to measure its climate-related impacts are Scope 1, 2 and 3 emissions combined with total consumption and usage of electricity, gas, water and refrigerants. We also monitor the split between renewable and non-renewable energy as we seek to move towards more renewable sources.

In assessing carbon emissions, we consider both location and emissions, as well as sector overviews and supplier-specific emission factors. Reporting of Scope 1, 2 and 3 emissions follows the GHG corporate protocol.

To inform our consideration of climate impacts we conducted a review of our own Scope 1 and 2 emission sources and our Scope 3 impacts (using the Quantis tool). This showed that the largest impact is from our purchased goods and services, with agricultural products being the single largest sector. We are rolling out tailored reduction and improvement plans on all sites after identifying specific opportunities for heat recovery and efficiency as described on page 43.

- Our Scope 1 and 2 emissions are validated and verified by GEP Environmental to a 'limited level of assurance', which is in line with ISO 14064:3.

Our Provisional Science Based Targets (subject to approval)

Percentage reduction targets

	Target year 2025	Target year 2030
Scope 1* (WB2C)	12.5%	25%
Scope 2* (WB2C)	12.5%	25%
Scope 3** (2C)	6.5%	12.3%

* Well below 2 degree pathway.
** 2 degree pathway.

We are currently reviewing the baseline data for our Scope 3 targets in consultation with our key suppliers.

Sustainability report
continued

GOVERNANCE

During 2020 we established a new Sustainability Committee, Chaired by a Non-Executive Director, to govern the delivery of our Quality Naturally strategy and to provide insight to the senior leadership team on emerging risks and opportunities for the Hilton Food Group.

This committee also works alongside the Hilton Risk Committee, who evaluate the climate-related risks, and together they consider the opportunities for the Group to lead as we transition to a net zero carbon economy (as described in our TCFD statement).

Our Quality Naturally strategy and its associated targets and commitments are led from the top by our CEO who is fully supported by the Board and the Executive Leadership Team.

The CSR team (led by the Chief Quality and CSR Officer and the CSR Director) coordinate our supply chain engagement and global reporting. They work alongside the business function heads and leadership teams in our operating companies who have full ownership of delivering the targets for their areas of responsibility.

Our CEO and the Executive Leadership Team are updated on the CSR agenda and progress towards our own commitments, and our customers' targets, on a monthly basis, with the main Board being updated every six months.

WHO IS RESPONSIBLE FOR CSR AT HILTON

MAIN BOARD

Set the ambition for long term CSR programme, embedding this in the business culture

- CHAIRMAN
- CEO
- CHIEF FINANCIAL OFFICER
- NON-EXECUTIVE DIRECTORS

SUSTAINABILITY COMMITTEE

- NON-EXECUTIVE DIRECTOR
- CEO
- REPRESENTATIVES FROM EXECUTIVE LEADERSHIP TEAM
- CSR DIRECTOR

EXECUTIVE LEADERSHIP TEAM

Agree and oversee delivery of targets

- CHIEF TECHNOLOGY OFFICER
- CHIEF QUALITY AND SUSTAINABILITY OFFICER
- REGIONAL CHIEF OPERATING OFFICERS
- CHIEF PEOPLE AND CULTURE OFFICER
- CHIEF MANUFACTURING AND PROCUREMENT OFFICER
- CHIEF COMMERCIAL OFFICER

SENIOR MANAGEMENT TEAM

Set global strategy and oversee Group and local implementation plans

- MANAGING DIRECTORS
- GROUP HEAD OF ENERGY MANAGEMENT & FACILITIES
- CSR DIRECTOR
- GROUP HEAD OF PROCUREMENT (NON-PROTEIN)

Integrate CSR strategy into their areas of responsibility

- HR LEADS
- PROCUREMENT LEADS
- GROUP CENTRAL CSR TEAM
- OPERATIONAL LEADS

Responsible for CSR projects and reporting

SITE CSR COORDINATORS

● Direct responsibility for CSR, including climate ○ Shared responsibility

UNGC AND SDG ALIGNMENT

Hilton supports the Sustainable Development Goals. Recognising that this is a critical decade of action to deliver these goals we have joined the UN Global Compact as full Participants and have committed to their 10 principles.

Our CSR strategy contributes to many of the Sustainable Development Goals although our focus is on our alignment with the four goals shown in this table.

We recognise that these goals can only be achieved through collaboration between NGOs, industry, individuals and governments.

Our engagement is with action forums that bring together the full value chain together with government and NGOs.

For more information visit
www.unglobalcompact.org/what-is-gc/mission/principles

THE GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

SDG	HOW WE ARE CONTRIBUTING
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Hilton have committed to halving our food waste by 2030 as a 'Friend of Champions 12.3' (Champions12.3.org). We are measuring our food waste at every site and reporting globally. We have made Group-wide commitments to deliver sustainable packaging in a circler economy.
13 CLIMATE ACTION	We have committed to set a science based target through the Science Based Targets initiative and signed the Business Ambition for 1.5°C pledge. We are reporting our emissions of GHGs and water use through our Annual report and CDP. We are investing in onsite electricity generation and renewable energy.
14 LIFE BELOW WATER	We lead in fishery and aquaculture supply chain collaboration and innovation in sustainability and welfare. Together with industry partners and NGOs we have negotiated voluntary marine protected areas and funded Fishery Improvement Projects. Our target is 100% MSC certified wild caught fish in our direct supply chains. In aquaculture we have introduced innovative solutions to address welfare and sustainability challenges including using algal oils to replace oils from wild caught fish.
15 LIFE ON LAND	We have set targets to address deforestation, green house gas emissions, antibiotic use and productivity of our meat and vegetable proteins supply chains. We are currently vice chair of the European Roundtable for Beef Sustainability. We are founder members of the Soy Transparency Coalition and are engaged in successful advocacy to set zero deforestation cut off dates for our supply chains in Brazil.

Sustainability report
continued

ADDITIONAL INFORMATION

Charitable donations in 2020	£79,668
Total site waste in 2020 was 5.47% (25,675mt). In 2019 this figure was 5.77% (21,436mt)	25,675mt
We have received no environmental fines or human rights/quality violations for the past three years	0
The fatality rate for the past four years	0
Our screening results show our Scope 3 emissions footprint is 7,443,723 tonnes CO_2e. In the process of setting our SBTs we are working to build a hybrid method to combine this tool with supply chain specific data. This data is not currently verified	7,443,723*
Zero incidents of non-compliance with water quality permits, standards, and regulations for the current fiscal year (and last two fiscal years)	0
2020, and the figures in this report are our proposed base year for our scope 1, 2 and 3 emissions. The rationale for this is due to the business structure changes, including the first full year of our newest factory in Australia. This covers 100% of our operations for direct and indirect emissions reporting	100%
There have been zero of notices of food safety violation received for the past three fiscal years. No monetary losses have occurred due to the result of legal proceedings due to labelling or marketing practices for the same period	0
The percentage of renewable electricity used from total is 24%. Including nuclear zero emissions electricity this rises to 47%	24%
100% of 2020 scope 1 and scope 2 (location and market based) reported emissions have been externally verified with limited assurance by an independent third party (GEPEnv) in accordance with ISO14064:3	100%

Usage and Environmental data

	FY20			FY19		
	UK	Global (excl. UK)	Group Total	UK	Global (excl. UK)	Group Total
Emissions						
Scope 1 (tCO_2e)	4,503	6,136	10,639	6,832	4,720	11,552
Scope 2 – location based (tCO_2e)	8,607	49,069	57,675	7,609	44,609	52,218
Scope 2 –Market based (tCO_2e)	0	47,103	47,103			
Total Scope 3 (location) (tCO_2e)	2,903,052	4,540,671	7,443,723			
Total Scope 1,2 & 3 (location) (tCO_2e)	2,916,161	4,595,876	7,512,037			
Intensity ratio SC1&2 (tonnes CO_2 per tonne produced)	0.03	0.12	0.15	0.04	0.13	0.17
Intensity ratio SC1&2 (kg CO_2e per £ of Group turnover)	0.005	0.020	0.025	0.008	0.027	0.035
Energy (kWh)						
Total renewable fuels consumption	0	0	0	0	0	0
Coal	0	0	0	0	0	0
Oil	0	0	0	0	0	0
LPG	0	1,981,079	1,981,079			
Natural Gas	21,332,658	30,218,747	51,551,406			
Total non-renewable fuels consumption	21,332,658	32,199,827	53,532,485			
Solar generated electricity	243,000	2,260,000	2,503,000	0	0	0
Total renewable electricity consumption	243,000	25,984,033	26,227,033			
Total non-renewable electricity consumption	37,526,233	71,445,071	108,971,304			
Non-renewable other energy consumption (heating)	0	1,392,196	1,392,196			
Total renewable other energy consumption	0	0	0			
Total renewable energy consumption	243,000	25,984,033	26,227,033			
Total non-renewable energy consumption	58,858,892	105,037,093	163,895,985			
Total energy consumption	59,101,892	131,021,126	190,123,018			
Energy consumption (kWh used per tonne of volume produced)	447	397	411			
Energy consumption (kWh used per £ of turnover)	0.055	0.078	0.070			

* Our Scope 3 method of calculation is based on the Quantis tool from WRI (world resources institute).

We follow the GHG corporate protocol to calculate our Scope 1 and 2 emissions, using IEA emissions factors for our location based emissions and supplier specific factors to calculate our market based emissions.

	Financial Year	UK	The Netherlands	Ireland	Sweden	Australia	Portugal	Denmark	Poland	Group Total
					Water usage					
Freshwater usage (m³)	FY19	297,500	169,000	49,000	59,000	47,000	35,000	45,000	74,000	775,500
	FY20	329,600	164,700	45,000	58,300	249,300	31,950	46,000	96,000	1,020,850

	FY20 Group Total	FY19 Group Total
Freshwater usage (m³) intensity ratio (m³ per £ turnover)	0.00037	0.00043

Countries/regions in which Hilton Food Group plc operates classified under high, moderate, low levels of water stress according to the World Resources Institute:

High water stress	0
Moderate water stress	0
Low Water stress	15

Gender	2020 Male	2020 Female	2020 Total	2019 Male	2019 Female	2019 Total	2018 Male	2018 Female	2018 Total	2017 Male	2017 Female	2017 Total
Board	5	2	7	5	1	6	5	1	6	5	1	6
Executive management ("ELT")	8	2	10	8	2	10	8	2	10	8	2	10
Senior managers	47	11	58	39	11	50	39	11	50	40	8	48
Employees	3,185	2,206	5,391	2,981	1,963	4,944	2,878	1,840	4,718	2,483	1,188	3,671
Board	71%	29%		83%	17%		83%	17%		83%	17%	
Executive management ("ELT")	80%	20%		80%	20%		80%	20%		80%	20%	
Senior managers	81%	19%		78%	22%		78%	22%		83%	17%	
Employees	59%	41%		60%	40%		61%	39%		68%	32%	

Health and Safety	2020	2019	% Change
Hours Worked	9,143,579	9,717,405	-5.9
First Aid Incidents	677	573	18.2
Lost time Incidents	87	147	-40.8
Lost time Incident Frequency Rate	9.51	15.13	-37.1
Number of Days Lost	2,198	2,012	9.2
Lost time incident severity rate	240.33	207.05	16.1
Non injury incidents/hazards	4,993	85*	N/A

* This data was not recorded on a Group basis in this format in 2019.

Nutritional Context, for growing areas in healthier products	% of total sales
Products with a high source of Omega 3	4.6%
Low fat products (<3% and 3-5% fat)	4.8%
Lower fat products (<5% fat)	2.9%
Products containing Additives (E Numbers)	23.2%
Low salt products (less than 0.12g/100g)	11.3%

Social Metrics	2020	2019	2018	2017
Soft Skills training hours	6,554	4,523	NA	NA
% of employees covered in collective bargaining agreements	33%	NA	NA	NA
Total staff turnover	17.1%	21.9%	22.5%	30.6%

APPROVAL OF THE STRATEGIC REPORT

Pages 4 to 59 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 in its entirety.

Approved by order of the Board of Directors

Neil George
Company Secretary
6 April 2021

Governance

IN THIS SECTION

For more information visit
www.hiltonfoodgroupplc.com

Board of Directors

EXECUTIVE DIRECTORS

ROBERT WATSON OBE N
CHAIRMAN

Tenure: 18 years

Robert joined Hilton as Chief Executive in 2002 and was appointed as Executive Chairman in 2018. He transitioned to a non-executive capacity on 1 January 2021. Robert is Chairman of the Board and is also Chairman of the Nomination Committee.

Key skills and competencies: Robert has over 40 years' experience in the meat industry, has proven himself as an industry leader and has overseen the successful growth of the Hilton Food Group to date. Robert brings this wealth of experience and valuable skills as Chairman of the Group.

Current external appointments: None.

Previous experience: A founder of the Foyle Food Group in 1977 and previously a board member of the Livestock Meat Commission and Food For Britain.

PHILIP HEFFER
CHIEF EXECUTIVE OFFICER

Tenure: 26 years

Philip joined Hilton at its inception in 1994, as Managing Director of the Group's UK subsidiary and from 2012 to 2018, served as Hilton's Chief Operating Officer. He was promoted to Chief Executive Officer on 1 July 2018.

Key skills and competencies: Philip attended Smithfield College and is an associate member of the Institute of Meat. Philip is responsible for developing Hilton's businesses with its major customers. His in-depth knowledge and experience of the meat industry provides valuable contribution to the Board.

Current external appointments: None.

Previous experience: Senior positions within the RWM Food Group.

NIGEL MAJEWSKI
CHIEF FINANCIAL OFFICER

Tenure: 14 years

Nigel was appointed Chief Financial Officer of Hilton in 2006, following 11 years in senior finance roles with PepsiCo.

Key skills and competencies: Nigel has extensive financial and commercial experience within UK and European meat and other food markets. He is a qualified Chartered Accountant and has a first class honours degree in accountancy.

Current external appointments: None.

Previous experience: Senior finance and commercial roles with Bernard Matthews plc, Royal Dutch Shell and Whitbread and Co. More recently Nigel was CFO of the company's European business, and prior to this, as Finance Director for Pepsi-Cola General Bottlers, Poland.

NON-EXECUTIVE DIRECTORS

1. JOHN WORBY A R N

NON-EXECUTIVE DIRECTOR & SENIOR INDEPENDENT DIRECTOR

Tenure: 5 years

John joined Hilton as an independent Non-Executive Director in 2016. He is Chair of the Audit Committee and is the Senior Independent Director.

Key skills and competencies: John is a Chartered Accountant and as well as financial and accounting skills has a wealth of experience of working in public companies and the food sector.

Current external appointments: Non-Executive Director and Audit Committee chair at Carr's Group plc.

Previous experience: John was Group Finance Director at Genus plc and Group Finance Director and Deputy Chairman of Uniq plc. He was Non-Executive Director at Fidessa Group plc, Cranswick plc, and Connect Group plc and a member of the Financial Reporting Review Panel.

2. CHRISTINE CROSS A R N

NON-EXECUTIVE DIRECTOR

Tenure: 5 years

Christine joined Hilton as an independent Non-Executive Director in 2016. She is Chair of the Remuneration Committee.

Key skills and competencies: Christine was originally a food scientist before devoting 14 years to 2003 with Tesco in senior roles focusing on own brand, non-food and global sourcing. She brings a wealth of global experience with a wide range of food and non-food retailing businesses to the Board.

Current external appointments: Non-Executive Directorships with Coca-Cola European Partners plc, zooplus AG (Germany), Clipper Logistics plc and several private companies as well as numerous advisory roles.

Previous experience: Christine was Non-Executive Director at Sonae SGPS SA (Portugal), Next plc, Woolworths Limited (Australia), Brambles Limited (Australia) and Kathmandu Holdings Limited (New Zealand).

3. ANGUS PORTER A R N

NON-EXECUTIVE DIRECTOR

Tenure: 2 years

Angus joined Hilton as an independent Non-Executive Director in 2018. He is the designated NED for workforce engagement.

Key skills and competencies: Angus' extensive knowledge and experience in public companies and the food and retail sectors are valuable to the decisions of the Board. He has an MA in natural sciences and PhD from the University of Cambridge.

Current external appointments: Non-Executive Chairman at McColl's Retail Group plc and Co-Chairman of Direct Wines Ltd.

Previous experience: Angus has held numerous executive and non-executive roles including Mars, BT, Abbey National and WPP. He was Chief Executive of the Professional Cricketers' Association, Non-Executive Director and Senior Independent Director of Punch Taverns plc and Non-Executive Director of TDC A/S (Denmark).

4. REBECCA SHELLEY A R N

NON-EXECUTIVE DIRECTOR

Tenure: 1 year

Rebecca joined Hilton during the year as an independent Non-Executive Director.

Key skills and competencies: Rebecca has held market-facing investor relations and corporate communications roles at a number of listed companies. She has a BA (Hons) in Philosophy and Literature from the University of Warwick and an MBA in International Business and Marketing from Cass Business School.

Current external appointments: Non-Executive Director at Sabre Insurance Group plc and Arraco Global Markets Ltd.

Previous experience: Rebecca was Group Communications Director and a member of the Executive Committee at Tesco plc and Global Corporate Affairs Director at TP ICAP plc. Other roles include Norwich Union plc, Prudential plc and as a partner at Brunswick LLP. She was also on the Board of the British Retail Consortium and a Trustee of the Institute of Grocery Distribution.

COMPANY SECRETARY

NEIL GEORGE

COMPANY SECRETARY

Neil joined Hilton in 2007 and is a Chartered Accountant.

COMMITTEES KEY

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee

John Worby, Christine Cross, Angus Porter and Rebecca Shelley are all considered to be independent.

Directors' report

The Directors present their report together with the audited consolidated financial statements for the 53 weeks ended 3 January 2021. Reference to other relevant information incorporated into this report is below.

Strategic report

The Strategic report on pages 6 to 59 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, future developments 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 18.

This Strategic report also includes the Sustainability report on page 28 which contains details of the Group's employment practices and greenhouse gas emissions.

A statement which sets out how the Directors have had regard to the matters under Section 172 of the Companies Act 2006 is also included in the Strategic report.

Corporate governance and other statutory disclosures

The Corporate governance statement, Board Committee reports and Directors' remuneration report on pages 66 to 94 includes information required by DTR 7.2.

All necessary disclosures required under LR 9.8.4 have been made.

Non-Financial Reporting Directive

The EU Non-Financial Reporting Directive has been implemented into English law and requires companies to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance, position and impact of its activity.

The table below sets out where stakeholders can find information in our Strategic report relating to non-financial matters.

Principal activities

The Group is the leading specialist international food packing business.

Results and dividends

The profit before income tax is £54.0m (2019: £43.2m).

An interim dividend of 7.0p per ordinary share was paid in November 2020. The Directors recommend the payment of a final dividend for the period which is not reflected in these financial statements, of 19.0p per ordinary share totalling £15.6m, which, together with the interim dividend, represents 26.0p per ordinary share for the year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 2 July 2021 to members on the register at the close of business on 4 June 2021. Shares will be ex dividend on 3 June 2021.

Information requirement	Where to read more	Page
Business Model	Our business model	11 to 14
Principal risks	Risk management and principal risks	24 to 27
Non-financial KPIs	Key performance indicators	20 to 21
Environment	Sustainability report	28 to 59
Employees		28 to 59
Human rights		28 to 59
Social matters		28 to 59
Anti-bribery and corruption	Corporate governance statement	66 to 71

Directors and their interests

The Directors of the Company in office throughout 2020, together with their biographical details, are set out on pages 62 and 63. All the Directors served for the whole of the year under review except Rebecca Shelley who joined the Board on 1 April 2020. Details of Directors' interests in shares are provided in the Directors' remuneration report on page 90.

Directors are subject to reappointment at the Company's AGM following the year in which they are appointed. Following accession to the FTSE 350 Index, the Company amended its Articles at its 2020 AGM requiring that all Directors will in future retire and stand for election or re-election, as appropriate, at each Annual General Meeting.

Directors' indemnities

As permitted by law and its Articles of Association the Company has in place appropriate directors' and officers' liability insurance cover during the year and up to the date of signing this report.

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
Aberdeen Standard Investments	9,385,095	11.45%	Indirect
Capital Group	4,498,744	5.49%	Indirect
Schroder Investment Management	4,140,846	5.05%	Indirect
Montanaro Investment Managers	2,773,138	3.38%	Indirect
R. Heffer	2,627,233	3.21%	Direct
BlackRock	2,488,862	3.04%	Indirect

Additionally Directors' interests in shares total 7.66% and details are given on page 90.

There are robust safeguard controls in place to monitor transactions between major shareholders of the Company. These include share register analysis on at least a quarterly basis and weekly share transaction reporting.

As a policy Hilton does not have any devices which would limit the ability to perform a takeover of Hilton Food Group plc. This includes devices which would limit share ownership and/or issue new capital for the purpose of limiting or stopping a takeover.

Political donations

No donations for political purposes were made during the year (2019: £nil). The practice of making political donations would require authority from shareholders and Hilton has never sought such authority.

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 21 May 2020:
  - Directors have authority to resolve that the Company shall 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 21 August 2021 or the next Annual General Meeting at which renewal of these authorities will be sought.
- 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.

The Companies Act 2006 also allows that Hilton Food Group plc shareholders representing at least 5% of paid-up capital with voting rights of the Company can require that the Directors call a general meeting to include the text of a resolution that may properly be moved at that meeting. Additionally shareholders have the right under the Company's Articles to vote on resolutions to re-appoint every director annually at each Annual General Meeting.

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 62 and 63. 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/en/investors/shareholder-meeting-documents/.

By order of the Board

Neil George
Company Secretary
6 April 2021

Corporate governance statement

INTRODUCTION

The Hilton Board is responsible for the long-term success of the Group and establishing its purpose, values and strategy aligned with its desired culture.

Company purpose, values and culture

Our purpose is to create efficiency and flexibility in the food supply chain through innovative and sustainable food manufacturing and supply chain solutions with the ambition to be the first choice partner for food retailers seeking excellence, insight and growth. Hilton's model of 'growth through total partnership' creates value for its stakeholders as well as contributing to wider society.

Hilton has developed its strategic compass through which desired values include being dedicated, ambitious, curious, entrepreneurial and resilient. We remain committed to achieving good governance balanced against our desire to preserve an agile and entrepreneurial culture with a strong client and talent focus.

Governance framework

The Board heads the Group's governance structure and is collectively responsible for promoting the long-term sustainable 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 ensuring there is an appropriate framework of checks and balances in place.

The Board has delegated certain responsibilities to formal Board sub-committees which comprise an Audit Committee, Remuneration Committee and Nomination Committee. These Committees operate under defined terms of reference that are approved by the Board which ensures that each Committee has sufficient resources to undertake their duties. Each Committee reports regularly to the Board. During the year the Risk Management Committee was reconstituted as an executive committee and now reports to the Audit Committee.

Governance code and compliance

We evaluate our governance against principles and provisions contained in the 2018 UK Corporate Governance Code ("Code") issued by the Financial Reporting Council which can be obtained from www.frc.org.uk/corporate/ukcgcode.cfm. This Corporate governance statement together with the Board Committee reports and the Directors' remuneration report on pages 66 to 94 detail how the Board applies the principles of good governance and best practice as set out in this Code.

The Directors consider that the Company has complied with the provisions of the Code during 2020 except for two provisions relating to Hilton's Chairman. Robert Watson is one of Hilton's founders, joining its Board as Chief Executive in 2002. In 2018 he transitioned to Executive Chairman and from 1 January 2021 moved into a non-executive capacity. Provision 9 of the Code states that a chairman should be independent on appointment and that a chief executive should not go on to become chair of the same company although the Code does recognise that this can happen in exceptional circumstances. Additionally Provision 19 of the Code states that the chair should not remain in post beyond nine years from the date of their first appointment to the board. Whilst Robert's position does not comply with these provisions the Directors are of the strong view that there are valid exceptional circumstances which are in the best interests of the Company and its stakeholders and these are detailed on page 67.

The Board

Board responsibilities

The Board has specific powers reserved to it contained in a schedule of matters reserved for decision by the Board. These powers include changes to capital structure, acquisitions and disposals, major trading agreements, major capital expenditure projects, dividends, treasury and risk management policies, approval of budgets and financial reports, and the giving of any guarantees or letters of comfort. 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.

There is a clear written division of responsibilities between the Chairman and the Chief Executive, agreed by the Board, split between running the Board and the business. They maintain a close working relationship, speaking regularly between Board meetings to ensure a full understanding of evolving issues and to facilitate swift decision making.

Implementation of the agreed strategy and budget and the day-to-day management of the Group's operations is delegated to an Executive Leadership Team led by the CEO.

Membership

At the date of this report the Board consists of the Chairman, two Executive Directors and four Non-Executive Directors whose names, responsibilities, brief biographies and membership of Board Committees are set out on pages 62 and 63. The Directors bring strong judgment and expertise to the Board's deliberations and with diversity achieves a balance of skills and experience appropriate for the requirements of the business.

On 1 April 2020 Rebecca Shelley joined the Board as an independent Non-Executive Director. Rebecca brings a wealth of experience in market-facing investor relations and corporate communications, gained since 1998 from roles with various listed companies, including Norwich Union plc, Prudential plc, Tesco plc and TP ICAP. More information on Rebecca's experience can be found on page 63.

All Directors are reappointed annually under the Company's Articles and for FTSE 350 companies under the Code. All new Directors are subject to reappointment by shareholders at the first opportunity following their appointment.

Chairman

Robert Watson is one of Hilton's founders and as such has an intimate knowledge of the business as well as having relationships with key decision makers at supermarket retailing businesses around the world. He has held senior Hilton Board positions since 2002 and during that time has guided the Group to significant continuous and sustainable growth including a successful flotation in 2007. This success is illustrated by the graph on page 93 which charts Hilton's total shareholder return over the past ten years showing average compound annual growth of 19.0% which compares with 8.5% achieved by the FTSE 250 Index. A further indicator of Hilton's enduring success is the average compound annual growth in Hilton's adjusted operating profit which, in the 14 years since flotation, is over 11.1%.

Robert joined Hilton initially as Chief Executive and during 2018 transitioned to Executive Chairman. On 1 January 2021 he moved into a non-executive capacity following the completion of the Australian joint venture transition period in which he played a key role. This transition path has been discussed with Hilton's major shareholders over a number of years to ensure both openness and transparency and to gauge their views. They have been supportive of these changes to date and Hilton will continue to engage with them in the future to ensure that this remains the case.

Robert has been instrumental in Hilton's success over a prolonged period and Hilton's other Directors are of the strong view that Robert's knowledge and experience within the business can contribute to our further growth and success in the future. The Board believes that he has demonstrated, and will continue to demonstrate, objective judgment that is in the best interests of the Company. The recent external board evaluation supported the Board's view concluding that the retention of Robert Watson has not only sustained shareholder value but proved an effective learning environment for Philip Heffer as CEO.

Whilst Robert cannot be designated as independent under the Code the Board believes that he has, since moving to Non-Executive Chairman, distinguished himself by critically scrutinising decisions purely on the basis of his extensive knowledge of the Company, its history, the industry in which it operates and its stakeholders. He has shown that he is able to chair and monitor the Company without prejudice and that he is impartial in his judgement and voting behaviour. He is also supported in this by a strong Senior Independent Director.

In view of the above, the Board are of the strong view that there are valid exceptional circumstances envisaged by the Code which are in the best interests of the Company and its stakeholders for Robert to continue as Hilton's Chairman. We do also appreciate stakeholder concerns to ensure appropriate governance and specifically with regard to the balance of the Hilton Board. Accordingly during the year we appointed Rebecca Shelley on 1 April 2020 as an additional independent Non-Executive Director. Following this appointment the Board comprises a majority of independent Non-Executive Directors. The Board maintain an ongoing focus on appropriate succession planning arrangements.

Non-Executive Directors

The Non-Executive Directors, excluding the Chairman but including the Senior Independent Director, are considered to be independent all having served on the Board for five years or less. Whilst all the Non-Executive Directors hold other directorships outside Hilton it is considered that they are all able to devote sufficient time to meet their board responsibilities. 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.

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

Senior Independent Director

John Worby, the Senior Independent Director, is available to shareholders as an alternative to the Chairman, Chief Executive Officer and Chief Financial Officer. Following all conversations or meetings he reports any relevant findings to the Board.

Board balance and diversity

The appointment of Rebecca Shelley, as an additional Non-Executive Director, during the year increased the balance of independent Non-Executive Directors on the Board from 50% to 57%. Additionally female representation on the Board has increased from 17% to 29%.

Hilton is committed to gender diversity on the Board. Whilst there are no planned changes to the Board's size or composition in the coming year Hilton is committed to implementing the Hampton-Alexander Review target of 33% representation of women on FTSE 350 Boards as and when the opportunity arises as well as within our executive committee and direct reports.

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 interest. 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, which is permitted under the Company's Articles.

The Board considers that the Directors' powers of authorisation of conflicts have operated effectively and that the procedures set out above have been followed properly.

There is a continuing conflict of interest involving Hilton's CEO, Philip Heffer, in relation to SV Cuisine Limited, a UK based sous vide manufacturer acquired in 2019. Prior to the acquisition, Philip was a shareholder in SV Cuisine and was also a director. The transaction involves deferred consideration, the value of which is dependent on future performance of the business, payable three years after completion. Philip resigned as a director of this subsidiary immediately following its acquisition.

Corporate governance statement continued

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.

Attendance at Board meetings

The Board meets not less than eight times a year to direct and control the strategy and operating performance of the Group. The following table sets out the Board meeting attendance by Board members together with the percentage attended. Attendance at Board Committee meetings is set out in each Committee report.

	Number attended	Percentage attended
Robert Watson	8	100%
Philip Heffer	8	100%
Nigel Majewski	8	100%
John Worby	8	100%
Christine Cross	8	100%
Angus Porter	8	100%
Rebecca Shelley	6	100%

Other Governance

Performance evaluation

An external evaluation of the Board and its Committees was performed in 2019 with recommendations focusing on the continuing development of the Company's governance framework to meet the appropriate standards for a FTSE 350 company. Progress was made during the year to act on these recommendations through improving the matters reserved for the Board, terms of reference for the Committees and their rolling agendas and processes. Additionally the Risk Management Committee was reconstituted as an executive committee reporting to the Audit Committee.

In addition to the work outlined above an internal evaluation was performed during 2020 which focused on the legal requirements for company directors to act in good faith to promote the long-term success of the company for the benefit of its members as a whole. The questionnaire covered the company's employees, relationships with suppliers, customers and others, impact on the community and the environment, safeguarding the company's reputation and acting fairly between members of the company. There was a positive outcome to this process.

Annual General Meeting

Due to the Covid-19 virus we were unable to welcome shareholders to our AGM in 2020. Our responsibility to take measures to lower the risk of exposure to the Covid-19 virus and its transmission meant that, regretfully, it was not possible for shareholders to attend. The AGM was held with the minimum number of the Hilton officers, who are also shareholders, in attendance to ensure that a quorum of shareholders was present. Shareholders were strongly encouraged to submit their proxy votes and also encouraged to submit questions prior to the AGM date.

In the event no questions were submitted. One of the resolutions passed at that AGM was to enable future hybrid AGMs.

Our 2021 AGM will proceed in a hybrid format at which shareholders will be asked to vote on 18 resolutions dealing with key governance matters, including the reappointment of all Directors, approval of the Directors' remuneration report, and the reappointment of the auditor.

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 are summarised in the Risk management section on pages 24 to 27.

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 are reviewed. 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. These have been reviewed and discussed through the Risk Management Committee and by the Audit Committee and their financial implications and the effectiveness of the control processes in place to mitigate these risks have been assessed.

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.

Whistleblowing policy

Hilton is committed to a free and open culture in dealings between its officers, employees, customers, suppliers and all people with whom the Group engages in business relations. We seek to conduct our business honestly and with integrity at all times. The Board has therefore established a whistleblowing policy which covers all our employees and operations and is available in local languages so that any suspected business misconduct can be reported. The policy allows anonymised reporting and that reports are treated confidentially. More information on this policy can be found on our website. The Board reviewed and updated this policy during the year. The Audit Committee receives reports on any communications reported via this mechanism.

Anti-bribery and anti-corruption policy

Hilton has a zero tolerance approach to bribery and corruption and accordingly the Board has established an anti-bribery and anti-corruption policy. This policy, which is available in local languages, covers all our employees and operations and also applies to third parties such as suppliers, contractors and other business partners. The policy defines and prohibits bribes and facilitation payments and covers all corporate hospitality including gifts, entertaining and charitable donations which must be authorised. Hilton does not make contributions to political parties. Regular training is provided to all colleagues to maintain awareness of these policies and processes. The Board reviewed and updated this policy during the year.

Directors' duties and stakeholder engagement

Section 172 of the Companies Act 2006 requires company directors to act in the way he or she considers, in good faith, would be most likely to promote the long-term success of the company for the benefit of its members as a whole and other stakeholders.

The Directors ensure that the views of the Company's key stakeholders are known and fully considered during their discussions and decision-making. Proposals submitted to the Board on all significant decisions include a section that assesses the potential impact on our stakeholders and their interests.

This is intended to guide Board discussions to ensure that these interests are adequately considered when decisions are made to approve business projects and the Company's strategy.

During 2020 the key decisions for the Board related to Covid and proposals to open a new facility in Belgium and other capital expenditure investments.

Managing through the pandemic
The most significant challenge for the Board involved managing the developing Covid situation. Additional Board calls were scheduled as necessary to ensure that appropriate measures and systems were in place and effectively implemented.

As a key part of the global food supply chain we needed to keep our facilities open to support our retailer customers by ensuring that their supermarket shelves stock with food for consumers.

This necessitated daily communications with suppliers and customers throughout the supply chain as part of a co-ordinated response to ensure the continuous supply of goods and services. There were no commercial changes in trading with our suppliers and customers.

Corporate governance statement continued

Ensuring continued operations though needed to be balanced with safeguarding our people. We established all necessary protocols, including enabling remote working, to protect them and minimise contact, prioritising those most vulnerable to Covid-19. We did not seek or receive any governmental assistance or support including no use of furlough in our production facilities. There were no Covid-related changes to employee pay and conditions and no redundancies and we have continued to support our employees during self-isolation.

As a result of the measures taken all of our facilities remained fully operational and without interruption throughout 2020.

Our shareholders
The Board promotes open communication with its shareholders. We aim to provide transparent, clear and balanced communications so that they understand our business strategy and how we deliver long term shareholder value through earnings and capital growth.

The Chief Executive Officer 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 59. Twice a year general presentations are given to analysts covering the annual and half year results. Additionally other reports and forecasts, together with relevant articles in the financial press, are circulated to the Board.

The Executive Directors are available to meet the Company's major shareholders if required and, together with the Chairman and Senior Independent Director, are 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 usually attend. In addition the Group's website containing published information and press releases can be found at www.hiltonfoodgroupplc.com.

During 2020 the pandemic disrupted the ability to hold physical meetings. Instead an increased frequency of virtual presentations and meetings were offered to keep shareholders up to date.

Our customers and suppliers
The Board and senior management engage with our customers and suppliers through an established total partnership strategy to discuss and reach agreements on product quality and payment terms, address concerns, identify risks, suggest solutions and demonstrate best practice.

Our customers comprise high quality food retailers based in Europe and Australasia. We create long-term partnerships with these retailers which are key drivers of the Company's growth and continued success. Through these established partnership arrangements we are able to successfully deliver safe, high quality products, competitively priced ensuring the highest level of customer satisfaction. We communicate with our customers every day to gain an in depth understanding of their, and their consumers' needs and expectations, and the markets within which they operate.

We work closely with local and international suppliers, as part of an integrated food supply chain, which enables us create effective partnerships that combines our knowledge of industrial-scale food production and consumer needs and expectations with their expertise in the supply of sustainable and innovative raw materials.

Our products are governed by national legislation and food safety standards throughout the supply chain. We hold regular dialogue with our suppliers on governance and compliance matters, including human rights and modern slavery. Further details on how we engage our suppliers on these matters can be found in the Sustainability report on pages 28 to 59.

Our people including workforce engagement
The Board recognises the value its employees contribute to the Company's sustainable long-term success, which is why the Group is committed to engaging with its workforce to discuss employee interests and concerns, as well as to identify and develop talent within the Group. Some of the workforce engagement mechanisms established to date, enabling employees to raise any matters of concern, are as follows:

- Angus Porter is the designated Non-Executive Director appointed by the Board to head the Group's workforce engagement procedures. Angus works closely with the Group key personnel to ensure the Group's engagement practices in relation to its employees are appropriately monitored and reporting back to the Board on his findings and interactions;
- An annual workforce engagement survey to capture the views and opinions of the workforce regarding how they feel about working in the Group, and the support they receive;
- Induction programmes for new employees;
- Internal communications App, "MyHFG", which is an information and communication resource that provides a platform for employees to receive news, participate in the annual engagement survey and a number of other activities. "MyHFG" proved to be an invaluable resource during the pandemic;
- Hosting of virtual leadership conferences and town halls within the year to ensure our employees are fully engaged in strategy and progress and know how they can personally contribute;

- Values rewards programmes, such as "Hilton Heroes" across the Group to identify and reward dedication and talent within the workforce;
- Employee forums with a view to strengthening the 'employee voice' within the Group;
- Continuation of our accelerated leadership development programmes utilising virtual technology during the pandemic;
- Development of a people analytics dashboard to ensure continuous development in relation to our workforce;
- Development of an inclusion and diversity strategy including strategic sponsorship of the Meat Business Women network;
- A remote working toolkit to support home workers and their leaders during the pandemic;
- Development and implementation of global health and safety standards and KPIs; and
- A whistle-blowing mechanism through which employees and others can raise concerns about suspected business misconduct, wrongdoing including in financial reporting or other matters or dangers at work.

Further measures include understanding reasoning behind emotive employee survey responses, establishing better communication and information flow locally amongst the business divisions and improving teams' working together and manager feedback.

The Board has assessed the above engagement mechanisms and corrective actions and is satisfied that these are aligned with the Company's purpose, values and strategy.

Community & environment
Hilton seeks to be a good neighbour in all its locations and is committed to social responsibility built through the relationships we build with our communities and legitimate public interest groups. Further details on how we engage with the community and on environmental matters can be found in the Sustainability report on pages 28 to 59.

With regard to tax we recognise the importance of the tax contribution that we make and to consider the needs of all our stakeholders. Hilton is committed to paying the right amount of tax at the right time. We have a low risk appetite with a simple corporate structure based around our commercial operations. We do not engage in planning schemes or arrangements that could be considered aggressive or artificial in nature. Consistent with this, the Group's approach to transfer pricing is to ensure that transactions reflect the underlying commercial arrangements and therefore the use of transfer pricing as a means to artificially avoid tax is prohibited.

By order of the Board

Neil George
Company Secretary
6 April 2021

Report of the Audit Committee

> The Committee's work focused on revenue, acquisition goodwill, leases and the impact of Covid."

JOHN WORBY
CHAIRMAN OF THE AUDIT COMMITTEE

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, John Worby, the other Independent Non-Executive Directors, Christine Cross and Angus Porter. Rebecca Shelley joined the Committee following her appointment as a Non-Executive Director on 1 April 2020. At least one member has recent and relevant financial experience and between them they have a wide experience of the food industry and commerce in general.

Other individuals such as the Chairman, Chief Executive Officer, Chief Financial Officer, Internal Auditor and the external auditors are invited to attend meetings as appropriate. 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 the review and monitoring of:

- 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;
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- the Company's internal financial controls and internal control and risk management systems and their effectiveness;
- the work done and the effectiveness of the Company's internal audit function;

Attendance at meetings of the Audit Committee

	Number attended	Percentage attended
John Worby	5	100%
Christine Cross	5	100%
Angus Porter	5	100%
Rebecca Shelley	3	100%

- the scope and effectiveness of the external auditors including making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving their remuneration and terms of engagement;
- the external auditor's independence and objectivity including the policy on the engagement of the external auditor to supply non-audit services, considering the impact this may have on independence;
- the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements; and
- the adequacy of the Company's whistleblowing and anti-bribery arrangements.

As part of its responsibilities the Committee meets with the external auditors and the head of internal audit at least once a year without management being present. In addition it reports to the Board on how it has discharged its responsibilities.

How the Committee has discharged its responsibilities

During 2020 the Committee met five 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 Committee reviewed the half and full year financial reports including the application of accounting policies, estimates and judgements in their preparation and, the clarity and completeness of the disclosures. The Committee also held discussions with management and the external auditor and reviewed supporting papers in respect of these matters.

The key areas of focus and significant issues considered during the year were:

- a review of revenue recognised on the Group's major contracts. The external auditor identified complex customer arrangements as an area of audit focus and the Committee fully considered these issues, including a review of customer balances in relation to these contracts at the year end. The Committee concurred with these balances. 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 relation to these contracts;
- a review of the carrying value of goodwill arising from the Seachill and SV Cuisine acquisitions. The Committee considered impairment review papers prepared by management and concurred that no impairment of goodwill was required;
- a review of segmental reporting. A proposal to merge the Western Europe and the small Central European reporting segments into a single European reporting segment was approved after ensuring that the change meets the criteria;
- a review of accounting developments. The Committee reviewed the impact of new IFRS standards effective in the year;
- an assessment of the Group's cost plus contracts in relation to IFRS 16 to determine whether they contain a lease. The Committee particularly focused on new contracts entered into during the year. As in previous years the Committee remains comfortable that there are no such implied lease arrangements;
- a review of the matters arising from the review of the Group's 2019 Annual report by the Financial Reporting Council to ensure that they were appropriately dealt with in this 2020 Annual report (as discussed more fully below); and
- a review of the impact of Covid-19 on the business and its projected cash flows. The Committee considered the impact of potential sensitivities on the Group's cash flows and calculated that the statements made in relation to going concern and the Group's viability were appropriate.

The Committee was satisfied that 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.

Report of the Audit Committee continued

The Committee reviewed a paper prepared by the Chief Financial Officer relating to going concern and the Group's longer term viability and concluded that the Group should be considered as a going concern. The proposed disclosures relating to the Group's longer term viability were agreed.

Thereafter the Committee recommended that the Board approve these financial reports for publication and that the letter of representation to the external auditor be signed.

FRC Review

During the year the Financial Reporting Council (FRC) undertook a review of the Group's 2019 Annual report and financial statements. The scope of the review performed by the FRC was to consider the Group's compliance with UK reporting requirements. Due to their inherent limitations these reviews are not intended to provide assurance that corporate accounts are materially correct.

As a result of the review, and as explained in note 2, the Company's cash flow statement for 2019 has been restated to reclassify the issue of an intercompany loan as an investing activity where previously it had been classified as a financing activity. The Committee noted that the Group's consolidated cash flow statement was not impacted by this restatement.

In addition three lease arrangements with purchase commitments that were in place prior to the transition to IFRS 16 were reviewed and identified as being finance leases that should have been recognised within the balance sheet as at 30 December 2018. The impact of this on the 2018 balance sheet is explained in note 2. The Committee reviewed the impact on the 2020 Annual report noting that all three leases had been properly treated on the transition to IFRS 16 and was satisfied that where necessary 2018 balances shown within this 2020 Annual report have been restated to reflect this correction.

Following observations made by the FRC a number of areas of disclosures have been reviewed and amended within this 2020 Annual report to provide additional information for the users of the accounts. This included additional disclosures in respect of judgements made in the treatment of cash settled share-based payments made in previous years, as disclosed in note 4.

The Audit Committee was involved in reviewing and agreeing the Company's response to the matters raised by the FRC and, where relevant, how they are dealt with in the 2020 financial statements.

In light of the matters raised by the FRC review, the Committee discussed the accounts preparation and review procedures, as a result of which the external auditors undertook an enhanced review of the Group's Annual report.

Internal audit, 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. As a result of the emerging Covid-19 pandemic, a significant amount of internal audit work was re-focused on the management of Covid-19 risks as well as ensuring the adequacy of the control environment with increased remote working. The Committee noted the findings from this and other work done and agreed the internal audit plan for the year ahead. An updated internal audit charter was approved. The Committee was satisfied that the internal audit function had been effective in its work during the year.

The Committee received regular updates on risk management including changes to the assessments of risks and consideration of emerging risks. The Committee also reviewed the work done by the Risk Management Committee and an updated Principal Risks Register. At the end of the year, the Committee considered a report from the Head of Internal Audit on the effectiveness of the risk management and internal control systems. Based on the report and the work done by internal audit during the year, the Committee concluded that the Group's internal control and risk management systems were operating effectively.

The Committee also receives updates on any allegations of whistle-blowing, bribery and fraud in the business at every meeting together with individual updates as required.

External audit

The Committee oversees the relationship with, and the performance of, the external auditor. EU Regulation enacted into UK law sets the maximum duration for an audit firm to conduct the statutory audit of a public interest entity as 10 years although can be extended to up to 20 years where a public tendering process is conducted every 10 years. The current external auditor, PricewaterhouseCoopers LLP (PwC), were appointed in 2007 and reappointed in 2016 following a public audit tender process. It is therefore expected that new external auditors will be appointed by no later than 2026.

The current audit partner took over responsibility for the audit in 2019 in accordance with PwC's policy that the lead partner is rotated every five years to ensure continued objectivity and independence. The next rotation is due in 2024. The engagement partners on key components are also required to rotate every five years.

Meetings were held with the external auditor before the audit to agree their audit plan and fees and after their half year review and year end audit work to discuss their key findings.

PwC 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 periodic quality control reviews. Potential independence threats through the provision of non-audit services are mitigated through various safeguards.

After the conclusion of the audit, the Committee reviewed the effectiveness of the audit including PwC's performance based on a questionnaire completed by members of the Committee and key finance staff. The conclusion was that the audit had been effective.

The Committee continues to be satisfied with the independence and performance of PwC and have therefore recommended to the Board that they should be reappointed as the Group's auditor at the forthcoming Annual General Meeting.

Non-audit services and fees

Hilton's policy on the use of the external auditor for non-audit services designed to preserve the independence of the external auditor was reviewed and updated during the year. This policy categorises non-audit services into (i) continuing services which the Committee permits the external auditor 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 2020 at £73,000 (including £47,000 for work in connection with the half year review) represents 12% of audit fees in the year and an average of 14% over three years which compares with a 70% EU cap which applied from 2020. Excluding items required by EU or national legislation, the 3-year average of non-audit fees was 5% of audit fees. Further details of audit and non-audit costs can be found in note 6 on page 121. The Committee considers that the level of non-audit fees does not affect the independence of the external auditor.

Other

The Committee updated its terms of reference following the recent external Board evaluation as well as improving the format of certain reports. It also reviewed and agreed revised terms of reference for the Risk Management Committee that supports the Audit Committee on its risk management work.

The whistle-blowing and anti-bribery/anti-corruption policies were reviewed. Meetings were held with both the external and internal auditors without management present.

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

John Worby
Chairman
6 April 2021

Report of the Nomination Committee

The Board independence balance increased together with Board and senior management gender balance."

ROBERT WATSON OBE
CHAIRMAN OF THE NOMINATION COMMITTEE

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

The Committee is chaired by the Chairman of the Board. The independent Non-Executive Directors are the other members of the Committee who therefore comprise the majority. Rebecca Shelley joined the Committee following her appointment as a Non-Executive Director on 1 April 2020.

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 and its Committees which should have a combination of skills, experience and knowledge;
- to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- to give consideration to succession planning for Directors and other senior executives and identify appropriate candidates for the approval of the Board;
- to make recommendations to the Board with regard to any changes and 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 attended	Percentage attended
Robert Watson OBE	1	100%
John Worby	2	100%
Christine Cross	2	100%
Angus Porter	2	100%
Rebecca Shelley	1	100%

How the Committee has discharged its responsibilities

During 2020 the Committee met twice and considered a range of topics including resource and succession planning. I did not attend one meeting which was chaired by John Worby, our Senior Independent Director, as it considered my own transition.

The Committee considered the continuing evolution and composition of the Board including succession planning. In order to maintain a strong and well-balanced Board the Committee completed the process started in 2019 to appoint Rebecca Shelley as an additional independent Non-Executive Director. Following her commencement on 1 April 2020 the balance of the Board independence has increased from 50% to 57% and Board gender diversity from 17% to 29%.

The Committee also considered the transition of Robert Watson to a non-executive capacity. The Committee appreciated that, as one of Hilton's founders, Robert has an intimate knowledge of the business as well as having existing relationships with key decision makers at supermarket retailing businesses around the world. He has been instrumental in Hilton's success over a prolonged period and the Committee agreed that his knowledge and experience within the business can contribute to Hilton's further growth and success in the future. On this basis the Committee agreed to recommend Robert's transition to Non-Executive Chairman from 1 January 2021 to the Board.

The Committee also discussed the longer term composition of the Board including succession planning for future changes in Chairman and CEO.

Hilton is an inclusive business and we ensure that we give equal access to all opportunities. Our approach supports diversity which is overseen by the Committee. The gender balance of those in senior management and their direct reports increased slightly from 23% in 2019 to 24% in 2020. We continue to develop management structures to promote its talent pipeline as part of a succession planning process covering the Directors and senior management positions to enable, where possible, recruitment of vacant positions from internal candidates. Accordingly processes are in place 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. Given the growth in business categories and geographies, the Committee continues to monitor the planning of resource implications. 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

Robert Watson OBE
Chairman
6 April 2021

Directors' remuneration report

An outstanding effort in our response to Covid with strong financial results reflected in maximum bonus and LTIP vesting outcomes."

CHRISTINE CROSS
CHAIRMAN OF THE REMUNERATION COMMITTEE

ANNUAL STATEMENT

Dear Shareholder,

On behalf of the Board I am pleased to present the Directors' remuneration report for the 53 weeks ended 3 January 2021. This report sets out the Company's policy on Directors' remuneration as well as information on remuneration paid to Directors during the year. 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 2018 UK Corporate Governance Code (the 'Code') and the Financial Conduct Authority Listing Rules (the 'Listing Rules').

2020 was dominated by the Covid pandemic, a year to safeguard all stakeholders. It was critical to keep our factories open and continue to ensure that supermarket shelves were stocked with fresh food products.

There was a significant increase in home consumption and our volumes were higher accordingly. This heightened the need to safeguard our workforce whilst helping our customers serve the end consumer.

The Group delivered significant adjusted operating profit and earnings per share (EPS) growth of over 20%. Additionally a facility in Belgium opened during the year and work continues on our new facility in New Zealand which is on track to open in 2021. We were able to function without recourse to government subsidies and to reward our shareholders through dividends for a year of solid growth.

Directors' remuneration major decisions and substantial changes

Board change

As per the announcement on 23 November 2020, Robert Watson moved from Executive Chairman to Non-Executive Chairman at the start of January 2021. He will receive an annual fee of £265,000 and will no longer be eligible for pension provision or participation in the annual bonus or LTIP. Outstanding LTIP awards have been time pro-rated to reflect the switch to a non-executive role.

2020 pay outcomes

The Company continues to successfully implement its strategy with a wide spread of the Group's operations across Europe and a growing Asia Pacific region which represents a material strength. The financial results for 2020 were strong reflecting an outstanding effort by management to overcome significant challenges in our response to Covid to keep food on supermarket shelves, to keep our factories open and our colleagues safe.

Attendance at meetings of the Remuneration Committee

	Number attended	Percentage attended
Christine Cross	4	100%
John Worby	4	100%
Angus Porter	4	100%
Rebecca Shelley	3	100%

The remuneration policy (the 'Policy') operated as intended in terms of Company performance and quantum and accordingly no changes were considered to be necessary. The annual bonus will pay out in full and LTIP awards will vest at their maximum. There were no payments to Directors during the year outside of the approved Policy and there were no changes made to the terms of the bonus or outstanding share awards.

Annual bonus
The financial element of the annual bonus was based on the Group's underlying adjusted profit before acquisition intangible amortisation and tax. The actual performance exceeded the maximum target resulting in the maximum financial element bonus of 105% of salary being awarded.

This is augmented by the personal element bonus for the Executive Directors which was based on performance objectives set in respect of delivering the strategy, planning for the future, leading the food quality, health and safety and environmental agenda, ensuring a culture and talent pipeline and building positive relationships with investors.

Covid-19 added an additional task to all objectives but the performance of the Group through the pandemic is testament to efforts in maintaining supply to customers whilst protecting the workforce.

The Committee's assessment of performance was that each Executive Director should receive the maximum of 20% of salary for above target performance.

In aggregate a total bonus of 125% of salary is payable to each Executive Director in respect of 2020 performance out of a maximum of 125% of salary.

Long Term Incentive Plan
The LTIP award granted in 2018 and due to vest in 2021 was subject to performance against stretching EPS targets. Threshold performance was set at EPS growth of 6% per annum whereby 10% of the awards would vest, rising to EPS growth of at least 14% per annum whereby 100% of the awards would vest. Following the end of the three year performance period ended 3 January 2021, compound annual EPS growth exceeded 14% and therefore these awards will vest in full.

The Committee believes the annual bonus and LTIP outcomes are reflective of Group and individual performance over the relevant one and three year performance periods.

The grant of new LTIP awards in the year was delayed due to Covid which are subject to EPS and TSR performance conditions. The EPS 6% threshold and 12% maximum compound annual growth vesting targets reflects Hilton's business cycle. The maximum vesting target is lower for this grant compared with previous grants due to the completion of the Australian joint venture transition. The Committee considers that these targets are robustly challenging given the geographic expansion and market dynamics.

2021 implementation

Our remuneration principles and policy are intended to remain in place for a further year until we reach the end of the current three year policy period. However, we will continue to engage with shareholders to ensure that we are implementing the policy in a way that is aligned with good governance and commercial best practice in the current uncertain environment.

Base salaries
The Committee agreed base salary increases of 2% for Philip Heffer and Nigel Majewski from 1 January 2021 in line with the increase of the general workforce.

Pension and benefits
No changes will be made to pension and benefit provision for 2021 although as noted in the "looking ahead" section below, Executive Director pension provision will be aligned to the workforce by 31 December 2022.

Variable pay
The maximum annual bonus opportunity will continue to be capped at 125% of base salary for Executive Directors.

The financial element of up to 105% of salary will be measured by comparing targeted performance against the underlying adjusted profit before acquisition intangible amortisation, exceptional items and tax removing any tax implications which are largely out of management's control.

In addition 20% of salary will be available based on individual performance against personal and strategic objectives aggregating to a 125% of salary maximum bonus opportunity for the Executive Directors.

The annual bonus targets are considered to be commercially sensitive at this point although full disclosure of the targets and performance against them will be provided on a retrospective basis in next year's Directors' remuneration report.

The 2021 LTIP awards for Executive Directors are expected to be granted over shares equal to 175% of salary with vesting determined by stretching EPS and relative TSR performance targets.

Directors' remuneration report continued

ANNUAL STATEMENT (CONTINUED)

Activities of the Committee

The Committee's main activities during 2020 are summarised below and full details are set out in the relevant sections of this report.

- Agreeing Executive Director base salary increases for 2021;
- Agreeing annual bonus award levels for 2019 and setting the targets for 2021;
- Reviewing the EPS performance targets and determining the percentage vesting for the 2017 LTIP awards which vested in 2020;
- Approving the LTIP awards granted in 2020;
- Approving the issue of the Sharesave scheme for 2020;
- Reviewing the CEO pay ratio disclosures;
- Approving fees for Robert Watson to apply following his transition to Non-Executive Chairman;
- Reviewing pensions across the Group in order to consider a pension alignment strategy; and
- Performing an annual evaluation of the Committee's performance and reviewing its terms of reference.

In addition, the Committee considered how the remuneration policy and practices are consistent with the six factors set out in Provision 40 of the Code:

Clarity – Our Policy approved by shareholders in 2019 is understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and when changes are proposed).

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.

Risk – Our Policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded through (i) the balanced use of annual and long-term pay which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by equity in our incentive plans; and (iii) malus/clawback provisions.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the executive directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to our culture through the use of metrics in both the annual bonus and LTIP.

Use of discretion

Under the Code and its terms of reference, the Committee has the right to exercise independent judgment and discretion in its assessment of Directors' remuneration, taking account of the performance of the Company, Directors' individual performances and wider circumstances.

Although some judgement was required as a result of the impact of Covid on the personal objectives set for the Executive Directors annual bonuses for 2020, no discretion has been exercised by the Committee in respect of the Policy or its operation for the 53 weeks ended 3 January 2021. The Committee was satisfied that there were no windfall gains as a result of the pandemic and with much of Hilton's performance driven by organic growth albeit offset to some extent by increased operating costs to ensure the safety of employees.

Looking ahead

The Remuneration Committee is committed to ensuring that the Policy and its implementation remains compliant with all legislative requirements as they come into force, and is aligned with evolving best practice, while continuing to take account of our overarching remuneration philosophy and delivering value to shareholders.

Transparency and equality of pay across all grades, gender and geographies remains a key focus of the business and is a regular item on the Committee's agenda.

The Committee is currently in the process of reviewing the range of pension provision across the Group in order to consider a pension alignment strategy. While work to develop this strategy is ongoing Executive Director pension provision will be aligned to workforce levels by 31 December 2022 in accordance with the suggested Investment Association timeline.

Shareholder consultation and AGM approvals

Every year all shareholders have the right to vote on the executive remuneration as proposed by the Board. At our forthcoming 2021 AGM an advisory resolution in respect of the Directors' remuneration report (excluding the Policy) will be put to shareholders. No changes are being proposed in respect of the Policy.

I hope we continue to receive your support in respect of our Annual report at our forthcoming AGM.

Christine Cross
Chair of the Remuneration Committee

DIRECTORS' REMUNERATION POLICY

A summary of the Directors' Remuneration Policy as approved by shareholders at the 2019 Annual General Meeting is set out below. The full Policy is set out in the Annual report and financial statements 2018.

Policy scope

The Policy applies to the Chairman, Executive Directors and Non-Executive Directors.

Policy duration

The current remuneration policy was passed by a binding shareholder vote at the Company's 2019 Annual General Meeting and became effective from the date of that meeting for the following three year period unless a new policy is presented to shareholders before then.

This policy reflects the provisions of the 2018 UK Corporate Governance Code and other good practice guidelines from institutional shareholders and shareholder bodies. All payments to Directors during the policy period will be consistent with the approved policy.

Overview of 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 shareholders' interests.

The policy, developed following a comprehensive remuneration review, has the following objectives:

- To develop a remuneration structure which supports the Company's strong performance culture and our key objective of creating long term shareholder value;
- To enable the Company to recruit and retain executives with the capability to lead the Company on its ambitious growth path;
- To reflect principles of best practice; and
- To ensure our remuneration structures are transparent and easily understood both internally and externally.

Remuneration policy table

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
Base 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 levels within relevant FTSE and industry comparators on a periodic basis although this is only one factor that is taken into account when determining pay levels and increases. The Committee considers the impact of any base salary increase on the total remuneration package. Pay levels throughout the organisation are also taken into account in order to ensure adequate provision for timely succession.	For Messrs Watson, Heffer and Majewski, following the implementation of the 2019 increases as set out in this Remuneration report, increases in 2020 and 2021 will be capped by the increases made to the general workforce (except in cases of promotion or if there has been a substantive business expansion). For future directors this cap does not apply. On occasion it may be appropriate for a new director to be positioned on a below market base salary but then to provide above market increases as the executive gains experience in the role.
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). Any reasonable business related expenses (including tax thereon) may be reimbursed. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The value of traditional benefits is based on the cost to the Company and is not pre-determined. Relocation expenses or benefits will take into account the nature of the relocation and will be provided on a fair and reasonable basis.
Pension	To provide adequate retirement benefits	Employer contributions are made to money purchase pension schemes or in certain circumstances a salary supplement may be paid in lieu of such pension contributions.	Up to 15% of basic salary although the Remuneration Committee will seek to appoint new Executive Directors on workforce aligned provision where this is possible.

Directors' remuneration report continued

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Element	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus	To encourage and reward delivery of the Company's short term financial and/or strategic objectives	The Committee will review performance metrics at the start of the year. Performance criteria will be aligned to the Company's strategic objectives at that time. The majority of the bonus will be linked to challenging financial metrics, which will typically include a measure of profit. Strategic or other individual targets may be used to determine a minority of the bonus outcome. For financial measures, typically a sliding scale of targets will be set. Where operated, no more than 20% of that element shall be payable for threshold performance. It may not be possible to set sliding scale targets for individual or strategic measures but full disclosure on the objectives and performance against these will be provided on a retrospective basis. At the start of the performance year, the Committee may determine that a proportion of the bonus is deferred in shares. If a proportion of bonus is deferred in shares, the value of any dividends payable on those shares during the vesting period may be payable. Bonuses are subject to malus and claw-back provisions in circumstances of misstatement, error or gross misconduct.	Up to 125% of base salary.
Long term incentives	To encourage and reward delivery of the Company's medium term objectives. To provide a way of building up a meaningful shareholding in the Company and providing alignment with shareholders' interests	Under its Long Term Incentive Plan (LTIP) Hilton makes annual awards of conditional shares or nil cost options to selected senior executives. Awards vest subject to continued employment and satisfaction of challenging performance conditions measured over three years to be satisfied by the issue of new shares or through purchasing shares in the market. The performance measures will be based on financial (e.g. EPS) and/or share-price related (e.g. relative TSR) performance targets. Performance targets will be determined at the date of grant with up to 10% vesting at threshold performance. The Committee may introduce new or reweight existing performance measures so that they are aligned with the Company's strategic objectives at the start of each performance period. The Committee will consult with leading shareholders before introducing a new performance measure. Awards are subject to malus and claw-back provisions for three years following vesting in circumstances of material misstatement, error or misconduct. A two year post vesting holding period will operate for all LTIP awards granted to Executive Directors after the 2019 AGM. Dividend equivalents may be paid on the value of dividends paid during the vesting period or any holding period (if applicable). The payment may be in the form of additional shares or cash and may assume reinvestment.	Up to 175% of salary for all Executive Directors.
All employee share schemes	To encourage employee share ownership and thereby increase their alignment with shareholders	All employees are eligible to join any permissible all employee scheme. Executive Directors will be eligible to participate in any all employee share plan operated by the Company on the same terms as other eligible employees. Under Hilton's Sharesave Scheme (HMRC approved for the UK and Ireland) regular savings over three years is followed by a six month period to exercise the options granted. No performance conditions attach to options granted under the Scheme.	The maximum level of participation is subject to the limits imposed by HMRC from time to time (or a lower cap set by the Company).
Shareholding guidelines	To further align Executive Directors' interests with those of long term shareholders and other stakeholders	Executive Directors are expected to build a holding in the Company's shares equal to a minimum value of 300% of base salary for the Chairman and Chief Executive Officer and 175% of base salary for all other Directors. To the extent that this guideline has not been achieved, executives are normally required to retain 50% of any vested share awards (after the sale to meet tax obligations).	N/A

Element	Purpose and link to strategy	Operation	Maximum opportunity
Post cessation guidelines		Half of the shareholding guideline requirement will apply for 12 months post-employment.	
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 fees for carrying out their duties. Fees are reviewed periodically. A base fee is augmented for Committee Chairmanship or membership to take into account the additional time commitment and responsibilities associated with those committees. Neither the Chairman nor the Non-Executive Directors are eligible for any performance related remuneration. Non-Executive Director remuneration is determined by the Chairman and the Executive Directors. The Executive Chairman's remuneration is determined by the Remuneration Committee. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload. Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee and/or a Senior Independent Director role or being a member of a committee. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	As for the Executive Directors, there is no prescribed maximum annual increase. Any increases to fee levels will take into account the general salary increase for the broader UK employee population, the level of time commitment required to undertake the role and the level of fees paid in the general market.
Shareholding guidelines	To further align Executive Directors' interests with those of long term shareholders and other stakeholders	Executive Directors are expected to build a holding in the Company's shares equal to a minimum value of 300% of base salary for the Executive Chairman and Chief Executive Officer and 175% of base salary for all other Directors. To the extent that this guideline has not been achieved, executives are normally required to retain 50% of any vested share awards (after the sale to meet tax obligations).	N/A

Notes

1 As Hilton operates in a number of geographies, remuneration practices vary across the Group. However, employee remuneration policies are based on the same broad principles and the remuneration policy for the Executive Directors is designed with regard to the policy for employees 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 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:
- participation;
- the timing of the grant of award and/or payment;
- 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;
- 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;
- 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; and
- adjusting the long term incentive vesting outcome if the level of vesting is not considered to be commensurate with performance over the period. The Committee, in using its discretion, would act fairly and reasonably and would seek to consult with shareholders prior to the use of any upwards discretion.

Directors' remuneration report continued

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Other policy information

Element	Element
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 overseas Directors paid in foreign currencies is, for disclosure purposes, translated into Sterling at the average exchange rate for the relevant year.
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 shall take into account the experience and calibre of the individual and the market rate required for recruiting him or her. The initial salary 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. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance criteria for the remainder of the first performance year of appointment. The bonus would be pro-rated to reflect the portion of the year in employment. In addition, an LTIP award can be made shortly following an appointment (providing that the Company is not in a closed period). The maximum bonus and LTIP grant level will be in accordance with the maxima outlined in the policy table. If an individual is forfeiting remuneration from his or her previous employer, 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. The aim of any such award would be to ensure that so far as possible, the expected value and structure of the award will be no more generous than the amount being forfeited. Shareholders will be informed of any such payments in the remuneration report. 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 has the discretion to pay ongoing relocation costs for a reasonable period, as well as one-off payments (assuming they are fair and reasonable). Any share-based awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, awards may be granted outside of these plans as permitted under the Listing Rules.
Payment for loss of office	Payments for loss of office are made in accordance with the terms of the Directors' service contracts as below. On termination no bonus is payable unless the Committee determines good leaver circumstances apply where, subject to performance conditions, a pro-rata bonus may be payable at the Company's discretion. LTIP awards will generally lapse on cessation although they may be capable of vesting in certain good leaver situations. For good leavers, outstanding share awards may vest at the original vesting date, or on the date of cessation if the Committee decides, subject to time pro-rating and the performance conditions being satisfied. 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. The Committee may pay reasonable outplacement and legal fees where considered appropriate. In addition, the Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.
Consideration of shareholder views	The Committee is always interested in shareholder views and is committed to an open dialogue. Accordingly, the Committee will seek to engage with major shareholders on any proposed significant changes to its remuneration policies or in the event of a significant exercise of discretion. The Committee considers shareholder feedback received in relation to each AGM alongside views expressed during the year. In addition, we engage actively with our largest shareholders and consider the range of views expressed.
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 and is kept informed of changes in pay across the Group. Employees have not previously been actively consulted on Director remuneration policies but this may be considered in future where appropriate.

Director service contract and other relevant information

Provision	Executive Directors	Non-Executive Directors
Term	All appointed on 24 April 2007 with no fixed term	Robert Watson – three years from 1 January 2021 John Worby – three years from 23 March 2019 Christine Cross – three years from 23 March 2019 Angus Porter – three years from 1 July 2018 Rebecca Shelley – three years from 1 April 2020
Re-election at AGM	Annually under the Company's Articles and for FTSE 350 companies under the UK Corporate Governance Code	Annually under the Company's Articles and for FTSE 350 companies under the UK Corporate Governance Code
Notice period	Up to 12 months for both the Company and the Director. The service contract policy for new appointments will be on similar terms as existing Directors	Six 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
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 Company's registered office.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority was 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.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION

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 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 Chair of the Remuneration Committee. In 2020 the Committee comprised the independent Non-Executive Directors Christine Cross, John Worby and Angus Porter. Rebecca Shelley joined the Committee following her appointment as a Non-Executive Director on 1 April 2020. The Committee is chaired by Christine Cross who had extensive experience of serving on remuneration committees prior to her appointment to chair the Committee.

Other individuals such as the Chairman, Chief Executive and external advisors may be invited by the Committee to attend meetings as and when required. The Company Secretary is in attendance at all meetings.

Responsibilities of the Committee

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

- setting the remuneration policy and agreeing payments for the Company's Non-Executive Chairman, the Executive Directors and Senior Leadership Team;
- approving the design of, and determining the targets for, any performance-related pay schemes operated by the Company and approving the aggregate annual payments made under such schemes;
- reviewing the design of all share incentive plans for approval by the Board and shareholders; and
- reviewing all elements of workforce remuneration and associated policies.

External advisors

The Committee is advised by FIT Remuneration Consultants LLP on remuneration matters. FIT's fees for advice provided to the Remuneration Committee during the year were £8,200. FIT does not provide any other services to the Group and the Committee is satisfied that it provides independent and objective remuneration advice. FIT is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at www.remunerationconsultantsgroup.com.

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 2021 the headroom available under these limits was 1.9% and 0% respectively.

Statement of voting at Annual General Meeting

The following table shows the voting results in respect of the 2019 Directors' remuneration report (other than the Directors' remuneration policy) at the 2020 AGM and the last time the Remuneration Policy was approved by shareholders at the 2019 AGM:

	Approve Directors' remuneration report	Approve Directors' remuneration policy
AGM year	2020	2019
Resolution type	Advisory	Binding
Votes for %	65,250,026 97.25%	59,981,468 86.35%
Votes against %	1,845,314 2.75%	9,482,939 13.65%
Votes withheld	–	844,433

The remainder of 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 2021	Salary and fees (note 1) £'000	Benefits (note 2) £'000	Pension (note 3) £'000	Total fixed pay £'000	Annual bonus (note 4) £'000	Long term incentive (note 5) £'000	Total variable pay £'000	Total £'000
Executive Directors								
Robert Watson	397	24	60	481	497	385	882	1,363
Philip Heffer	496	28	74	598	620	544	1,164	1,762
Nigel Majewski	402	19	60	481	502	451	953	1,434
Non-Executive Directors								
John Worby	59	–	–	59	–	–	–	59
Christine Cross	59	–	–	59	–	–	–	59
Angus Porter	51	–	–	51	–	–	–	51
Rebecca Shelley (appointed 1 April 2020)	38	–	–	38	–	–	–	38
Total	1,502	71	194	1,767	1,619	1,380	2,999	4,766

53 weeks to 29 December 2019	Salary and fees (note 1) £'000	Benefits (note 2) £'000	Pension (note 3) £'000	Total fixed pay £'000	Annual bonus (note 4) £'000	Long term incentive (note 5) £'000	Total variable pay £'000	Total £'000
Executive Directors								
Robert Watson	390	19	58	467	487	458	945	1,412
Philip Heffer	487	41	73	601	608	353	961	1,562
Nigel Majewski	394	16	59	469	493	344	837	1,306
Non-Executive Directors								
John Worby	58	–	–	58	–	–	–	58
Christine Cross	58	–	–	58	–	–	–	58
Angus Porter	50	–	–	50	–	–	–	50
Total	1,437	76	190	1,703	1,588	1,155	2,743	4,446

Notes

1. Salary and fees
Reflects salaries/fees paid to Directors in respect of 2020 (with 2019 comparatives).

2. Benefits
Benefits provided comprised company car and fuel and private healthcare.

3. Pension
Payments were made during 2020 to money purchase pension schemes or in lieu as a salary supplement at the rate of 15% of base salary for all Executive Directors.

4. Annual bonus
The 2020 annual bonus had two elements. The financial element bonus was based on adjusted profit before tax performance against a sliding scale of targets. A strategic element bonus was available based on achievement of personal objectives. The bonus outcome for 2020 for all Executive Directors is summarised below.

Bonus element	Metric	Threshold performance	Target performance	Maximum stretch target	2020 achieved
Financial	Adjusted profit before tax	£49.7m	£52.4m	£55.0m	£61.1m
	% against target	95%	100%	105%	116.6%
	% of base salary	20%	50%	105%	105.0%
Strategic	% of base salary			20%	20.0%
Total	% of base salary			125%	125.0%

The Executive Directors were given a number of different personal and strategic objectives individually tailored to their role and the needs of the business in the year now under review. The achievements against these objectives were considered carefully by the Committee. A summary of these objectives and achievements for the Executive Directors is set out below together with the assessment and overall outcome. Covid-19 added an additional task to all objectives, not envisaged when these were written, but the performance of the Group through the pandemic is testament to efforts in maintaining supply to customers whilst protecting the workforce. In a year of exceptional performance all three Executive Directors were deemed to have achieved a full 20% on their strategic objectives.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Robert Watson

Objectives	Detailed Targets	Remuneration Committee Assessment	
1. Support the CEO in development & delivery of strategy	– Monitor & support the delivery of the Company's growth plans by geography & protein sector – Work with the CEO to review and update strategy in an effective and timely manner	Met in full	Robert Watson closely monitored, and provided a high level of executive support in respect of, the Company's growth plans by geography and protein sector. In addition, the strategy was reviewed, updated and successfully presented to the Board during 2020 based on the pre-agreed timelines.
2. Manage new development opportunities including: – Lead the acquisition of new business that delivers ongoing sustainable value to the Group & shareholders – Establish new structure for business development & hand over responsibilities	– Continue to develop the opportunities pipeline – Work with the CEO on recruitment of a chief commercial officer – Successfully complete handover of responsibilities	Met in full	The pipeline of opportunities continued to be developed effectively during 2020. This included overseeing the successful completion of the Australia JV transition plan. A new chief commercial officer was appointed to take over new business development as part of a successful and smooth handover of responsibilities in respect of moving to Non-Executive Chairman at the year-end.
3. Continue to ensure an effective & entrepreneurial Board	– Review Board succession – Progress recommendations from external board evaluation – Act as a coach & mentor to the CEO	Met in full	Board NED succession was reviewed in detail and as a result, a new NED was appointed, bringing greater diversity and experience to the Board. Recommendations from an external board evaluation exercise were reviewed and progressed along pre-agreed timelines. In addition, the CEO was coached and mentored by way of a structured development programme during 2020.
4. Oversee review of succession plans	– Work with the CEO on executive leadership team changes	Met in full	Succession planning was completed in line with pre-agreed timelines which enabled a number of leadership team changes to be made successfully during 2020.
5. Support the Board by promoting the value of the business to existing & potential investors & analysts	– Continue to represent the Group & sector, including contact with major shareholders	Met in full	Robert Watson was highly effective in acting in an ambassadorial role for both the Group & sector, including ensuring that there was continued contact with our major shareholders during the year.
Outcome of strategic personal objectives		After considering the performance against the targets set out above, the Committee awarded a full bonus against the strategic objectives (i.e. a maximum of 20% of salary).	

Philip Heffer

Objectives	Detailed Targets	Remuneration Committee Assessment	
1. Drive growth and financial performance by: – Review & improve current customer revenues – Present an updated strategy for organic growth & M&A – Preparation for the implications of Brexit & thorough executional planning	– Support the opportunities pipeline – Deliver significant operational performance improvements during 2020 – Deliver a revised organisational design – Prepare for the implications of Brexit – Review positive customer feedback	Met in full	– Philip Heffer provided an excellent level of support to the development pipeline, delivered significant operational performance improvements during the financial year, co-ordinated and presented a revised organisational design to support future growth and prepared successfully for the implications of Brexit. Customer feedback levels were rated as high.
2. Lead the food quality, health and safety and environment agenda – Continued progress in food safety, integrity and quality – Further improvement in the Group's safety and environmental performance – Proactive support to our customers' CSR agendas	– Establish a Group-wide reporting structure – Deliver individual site improvements – Form the executive committee and Group standards & targets for 2021 – Review and rate workforce implementation, welfare & communication	Met in full	A Group wide reporting structure was introduced during 2020 to enable the sharing of best practice including sustainability agenda. Individual site improvements were delivered on time and an executive committee was formed together with Group standards & targets for 2021. Following review, the Committee concluded that there was an exemplary record of workforce implementation, welfare & communication.
3. Continuous improvement – Review of all existing plant & planned capex – Support our lead on food quality, health & safety through qualitative measures – Develop a sustainability agenda & reporting framework for the Group & each business unit – Review the extent to which automation could augment labour efficiencies	– Create cost & efficiency plans – Introduce a system to monitor performance by site – Develop a dynamic capex plan by site	Met in full	Cost & efficiency plans were developed during 2020 and delivered to the Board on time. Detailed KPIs & metrics were introduced to monitor performance by site. A dynamic capex plan by site, including the use of automation and robotics was developed.
4. Culture, talent, succession and diversity – Review and strengthen succession plans – Transfer remaining executive responsibilities from the Chairman – Progress diversity agenda	– Carry out a culture, talent and succession review – Deliver changes to the executive leadership team implemented May 2020 – Take responsibility for strategy, new business development & investor relations – Develop a new inclusion & diversity policy, philosophy & principles framework with targets built into succession plans	Met in full	The succession plan review was completed and changes to the executive leadership team were implemented in May 2020. Responsibility was taken for strategy, new business development & investor relations and a new chief commercial officer as appointed in connection with the Executive Chairman's switch to a non-executive role. A new inclusion & diversity policy, philosophy & principles framework was developed on time, with targets built into succession plans.
Outcome of strategic personal objectives		After considering the performance against the targets set out above, the Committee awarded a full bonus against the strategic objectives (i.e. a maximum of 20% of salary).	

Nigel Majewski

Objectives	Detailed Targets	Remuneration Committee Assessment	
1. Investor relations – Continue to build relationships & extend and on-board new investors as required	– Ensure ongoing positive relationships – Introduce new investors	Met in full	Ongoing relationships built on during the year in a positive manner. Investor roadshows were delivered and investor meetings held covering UK and North American investors resulting in new investors on the register and increased shareholdings.
2. Finance strategy – Review finance strategy & raise finance to support business development & EPS growth – Revise plans in view of operating changes & deliver to plan	– Assist the growth strategy in Australia, New Zealand & Belgium – Screen & manage investments in respect of meeting the long-term financial plans & operational needs – Review volumes and product mix	Met in full	Detailed expansion plans for the Huntingdon site and changing customer needs reviewed. The strategy of growth in Australia, New Zealand & Belgium was successfully supported by fund raises. All investments were successfully screened and managed to ensure they meet the Company's long-term financial plans & operational needs. An active review of volumes and product mix was completed successfully in respect of changing customer requirements during 2020.
3. Continued growth/financing	– Execute Fund raises – Ensure financial plans support growth	Met in full	Fund raises were well executed during the year. Detailed financial plans were delivered in support of Belgian start-up & Australia JV transition.
4. Succession planning – Continue to development of the finance team	– Establish finance in each geography/business unit – Introduce standardised reporting structures	Met in full	Finance teams were successfully established in each geography and in each business unit in line with the plans agreed at the start of 2020. Standardised reporting structures were successfully introduced on time.
Outcome of strategic personal objectives		After considering the performance against the targets set out above, the Committee awarded a full bonus against the strategic objectives (i.e. a maximum of 20% of salary).	

5. Long term incentive

Long term incentives comprise the number of share awards 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.

Awards were granted in 2018 under the Long Term Incentive Plan which are due to vest in 2021 subject to performance conditions covering the three financial years 2018-2020. The share price at the date the awards were granted was £8.84. The expected long term incentive outcome is summarised below.

Metric	Threshold performance	Maximum performance	2020 achieved
2018-20 adjusted basic EPS % annual growth	6%	14%	14.0%
Vesting %	10%	100%	100.0%

The expected vesting is not affected by any assumptions over acquisitions.

Director	Awards granted No.	Awards expected to vest 100.0% No.	Value at year end share price of £11.14 £'000	Amount attributable to share price appreciation £'000
Robert Watson	34,568*	34,568	385	80
Philip Heffer	48,873	48,873	544	112
Nigel Majewski	40,528	40,528	451	93

* The award to Robert Watson has been adjusted pro rata following his transition to a non-executive capacity.

The long term incentive values for 2019 have been restated based on the actual share price at vesting (£10.64 instead of the 2019 year end share price of £10.94).

6. Payments to past directors

There were no other payments made to former directors in 2020.

7. Payments for loss of office

There were no payments for loss of office made in 2020.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Director shareholding and share interests

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

Director	Type	At 29 December 2019	Granted (note 4)	Exercised	Lapsed	At 3 January 2021	Exercise price (pence)	Earliest exercise date	Latest exercise date	Notes
Robert Watson	Shares	2,304,814				2,304,814				1
	Share options	1,394	–	–	–	1,394	645.50	01.06.20	01.12.20	2
	Share options	1,084	–	–	–	1,084	830.00	01.06.21	01.12.21	2
	Total share options	2,478	–	–	–	2,478				
	Nil cost options	65,237	–	(43,056)	(22,181)	–	nil	24.04.20	24.04.27	3
	Nil cost options	39,139	–	–	(4,571)	34,568	nil	03.07.21	03.07.28	3
	Nil cost options	63,965	–	–	(29,531)	34,434	nil	21.05.22	21.05.29	3
	Nil cost options	–	58,446	–	(53,429)	5,017	nil	28.09.23	28.09.30	3
	Total nil cost options	168,341	58,446	(43,056)	(109,712)	74,019				
Philip Heffer	Shares	3,823,172				3,823,172				1
	Share options	1,394	–	–	–	1,394	645.50	01.06.20	01.12.20	2
	Total share options	1,394	–	–	–	1,394				
	Nil cost options	50,292	–	(33,193)	(17,099)	–	nil	24.04.20	24.04.27	3
	Nil cost options	48,873	–	–	–	48,873	nil	03.07.21	03.07.28	3
	Nil cost options	79,873		–	–	79,873	nil	21.05.22	21.05.29	3
	Nil cost options	–	72,981	–	–	72,981	nil	28.09.23	28.09.30	3
	Total nil cost options	179,038	72,981	(33,193)	(17,099)	201,727				
Nigel Majewski	Shares	102,435				103,829				1
	Share options	1,394	–	(1,394)	–	–	645.50	01.06.20	01.12.20	2
	Share options	–	732	–	–	732	1228.00	01.08.23	01.02.24	2
	Total share options	1,394	732	(1,394)	–	732				
	Nil cost options	34,840	–	(34,840)	–	–	nil	28.04.17	28.04.24	3
	Nil cost options	50,365	–	–	–	50,365	nil	20.04.18	20.04.25	3
	Nil cost options	50,296	–	–	–	50,296	nil	25.04.19	25.04.26	3
	Nil cost options	48,920	–	–	(16,633)	32,287	nil	24.04.20	24.04.27	3
	Nil cost options	40,528	–	–	–	40,528	nil	03.07.21	03.07.28	3
	Nil cost options	64,697	–	–	–	64,697	nil	21.05.22	21.05.29	3
	Nil cost options	–	59,115	–	–	59,115	nil	28.09.23	28.09.30	3
	Total nil cost options	289,646	59,115	(34,840)	(16,633)	297,288				
John Worby	Shares	9,000				9,000				1
Christine Cross	Shares	15,000				15,000				1
Angus Porter	Shares	1,000				1,000				1
Rebecca Shelley	Shares	–				1,944				1

Notes

1. All shares are beneficially owned with the exception of 1,316,917 shares held by various family trusts of which Robert Watson is a trustee. Since the end of the year Robert Watson and Philip Heffer exercised 1,394 Sharesave options each. Additionally Robert Watson has purchased a further 10,000 shares and Angus Porter a further 1,000 shares. There have been no other changes in the interests of Directors between 3 January 2021 and the date of this report.

   The Company's Remuneration Policy includes a shareholding guideline such that Executive Directors are expected to build a holding in the Company's shares at least equal to a minimum value as a percentage of base salary. At 3 January 2021 the guideline and actual share holdings were as follows:

Director	Guideline minimum holding value as a % of salary	Actual holding value as a % of salary	Guideline met?
Robert Watson	300%	6,460%	Yes
Philip Heffer	300%	8,582%	Yes
Nigel Majewski	175%	288%	Yes

2. Share options granted under Hilton's all employee Sharesave Scheme.
3. Nil cost options granted under the Long Term Incentive Plan which are subject to the performance conditions and compound earnings per share growth below on a sliding scale over the performance period.

Grant year	Performance basis	Performance period	Threshold vesting	Compound annual growth at threshold vesting	Maximum vesting	Compound annual growth at maximum vesting
2018	EPS 100%	2018 – 2020	10%	6%	100%	14%
2019	EPS 70%	2019 – 2021	10%	6%	100%	15%
	TSR 30%	2019 – 2021	10%	Median	100%	Upper quartile
2020	EPS 70%	2020 – 2022	10%	6%	100%	12%
	TSR 30%	2020 – 2022	10%	Median	100%	Upper quartile

4. Grant of nil cost option awards in the year were as follows:

Director	Face value	Number of shares under 2020 LTIP award	Proportion of salary	Share price date	Share price
Robert Watson	£695,508	58,446	175%	25 September 2020	1190 p
Philip Heffer	£868,474	72,981	175%	25 September 2020	1190 p
Nigel Majewski	£703,463	59,115	175%	25 September 2020	1190 p

Directors' remuneration report continued

FURTHER INFORMATION

Statement of implementation of remuneration policy in the 2021 financial year

Base salaries, benefits and pension

For 2021 Executive Director salaries for Philip Heffer and Nigel Majewski have increased by 2% in line with the increases of the general workforce.

	2020 £'000	2021 £'000
Philip Heffer	496	506
Nigel Majewski	402	410

There are no changes in benefits and pensions.

Annual bonus

The maximum annual bonus in 2021 will continue to be set at 125% of salary. This bonus will be payable subject to stretching targets around the adjusted profit before tax metric (up to 105% of salary) and personal and strategic targets (up to 20% of salary). Both financial targets, set with reference to the budget, and the personal and strategic targets (covering responsible customer, category and geographic growth with financial and people resource to support) are considered commercially sensitive. The Committee will therefore disclose targets on a retrospective basis.

2021 LTIP awards

The Committee will make a decision to grant LTIP awards to Executive Directors over shares equal to 175% of salary in 2021 following the Annual report approval date.

EPS – 70% of awards – stretching yet motivational targets to be measured over the three financial years commencing with the year of grant.

TSR – 30% of awards – 10% of this part of an award will vest for median performance against the constituents of the FTSE 250 (excluding investment trusts) increasing pro-rata to full vesting for this part of an award for upper quartile performance measured over the three financial years commencing with the year of grant. In addition, no part of this award may vest unless the Committee is satisfied with the underlying performance of the Company.

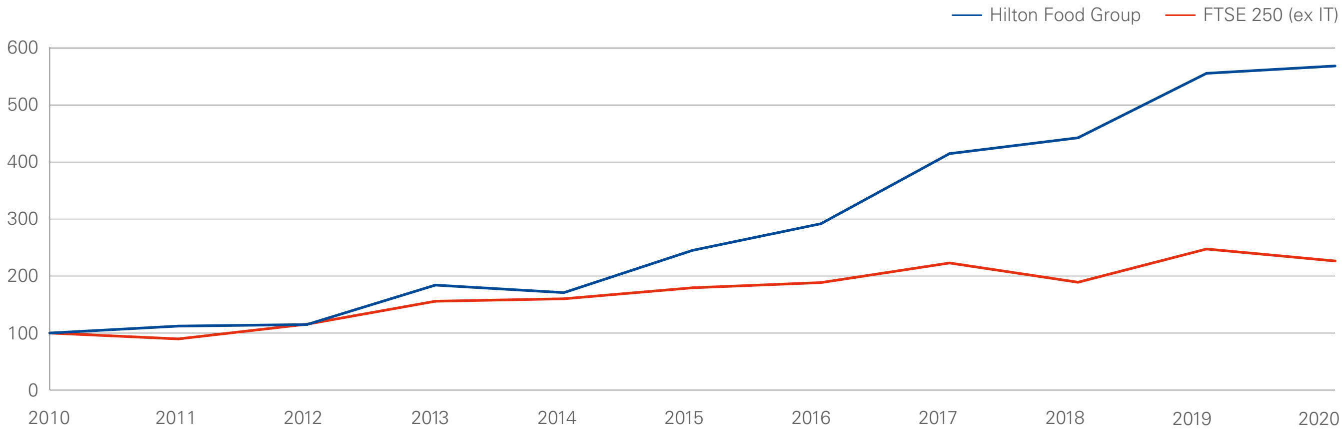
Details of the 2021 grant and EPS performance targets noted above will be published immediately following the grant via a Regulatory Information Service.

Non-Executive Directors

Non-Executive Director fees for John Worby, Christine Cross, Angus Porter and Rebecca Shelley will increase by 2% in line with the increases of the general workforce. Angus Porter and Rebecca Shelley will receive additional annual fees of £3,000 in respect of responsibilities on employee engagement and sustainability respectively. Following his transition from Executive Chairman to Non-Executive Chairman on 1 January 2021 Robert Watson will receive annual fees of £265,000 (and will no longer be eligible for pension provision or participation in the annual bonus or LTIP). These pay elements will be operated in line with the approved Policy.

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 250 Index covering the ten years from 2011 to 2020. The FTSE 250 Index is, in the opinion of the Directors, the most appropriate index against which the TSR of the Company should be measured.



Chief Executive Officer remuneration ten year trend

	2011	2012	2013	2014	2015	2016	2017	2018[2]	2019	2020
Total remuneration (£'000)	730	593	610	626	784	1,235	1,570	1,627	1,562	1,762
Annual bonus (as a percentage of the maximum)	53%	10%	42%	32%	60%	69%	80%	78%	100%	100%
Long term incentive vesting (as a percentage of the maximum)	100%	100%	n/a[1]	0%	0%	61%	73%	88%	66%	100%

Notes

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

2 Robert Watson was CEO until 30 June 2018 when the current CEO Philip Heffer was appointed. Data for the 2018 year comprises the remuneration of Robert Watson from 1 January 2018 to 30 June 2018 and that of Philip Heffer from 1 July 2018 to 30 December 2018.

Director remuneration percentage change

2020 percentage increase over 2019		Salary/fees % change	Benefits % change	Annual bonus % change
Executive Directors	Robert Watson	2.0%	21.9%	2.0%
	Philip Heffer	2.0%	-31.6%	2.0%
	Nigel Majewski	2.0%	18.2%	2.0%
Non-Executive Directors	John Worby	2.0%	n/a	n/a
	Christine Cross	2.0%	n/a	n/a
	Angus Porter	2.0%	n/a	n/a
	Rebecca Shelley (appointed during 2020)	n/a	n/a	n/a
Company average		2.8%	-1.9%	4.5%

Directors' remuneration report continued

FURTHER INFORMATION (CONTINUED)

CEO pay ratio

Year	Method	CEO pay ratio 25th percentile pay ratio	CEO pay ratio Median – 50th percentile pay ratio	CEO pay ratio 75th percentile pay ratio
2019	Option B	83	79	51
2020	Option B	87	78	48

Option B was adopted so that it could be linked with existing processes generating gender pay gap or similar information. This information, comprising basic pay since the majority of employees do not receive benefits or annual bonuses, as at April 2020 was used as a starting point to identify those UK employees as the best equivalents of P25, P50 and P75. There was no reliance on estimates or judgements. The information for these employees was then updated to represent total pay and benefits for the 2020 financial year.

	CEO £'000	25th percentile employee £'000	50th percentile employee £'000	75th percentile employee £'000
Salary component	496	20	22	36
Total pay and benefits	1,762	20	23	37

The CEO's remuneration is weighted more heavily towards variable pay than that of the wider workforce so that it is aligned with the Group performance. This will inevitably cause the pay ratios to fluctuate over time. The increase in the P25 pay ratio is due to an increase in the number of our factory employees.

The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles amongst the UK workforce. The Committee is satisfied that the median pay ratio for the year is consistent with the pay, reward and progression policies for the Group's UK employees who have the same pay and reward policies and opportunities.

Gender pay gap

We report information about the difference in average pay for its male and female employees as required by gender pay gap legislation. Gender pay gap metrics are submitted by the Group's main two UK employing entities. The headline gender pay metric is the difference in the median hourly pay received by men and women. In their most recent reports, this metric for 2019 is 14.7% for Hilton Foods UK and 9.7% for Seachill both favouring men which is broadly similar to, or an improvement on, previous years. The UK government suspended gender pay gap reporting regulations for 2020 due to the Covid-19 pandemic.

Hilton will continue to take action to address its gender pay gap. We have developed an inclusion & diversity strategy and during 2021 we will be implementing a number of initiatives to support gender inclusion and diversity and women's career progression in the organisation. This will include establishing an inclusion & diversity code of conduct applicable to all employees, providing relevant training and resources to our teams and increasing our participation in women's networks and mentoring programmes. We will also use our engagement survey and newly developed people analytics to monitor our progress.

For more information and to view the full metrics see the gender pay gap portal or our website www.hiltonfoodgroup.com.

Relative importance of spend on pay

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

	2020 £'000	2019 £'000	% change
Staff costs (note 8 to the financial statements)	190,859	143,942	33%
Dividends payable	21,305	17,489	22%

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

Christine Cross
Chair of the Remuneration Committee
6 April 2021

Statement of Directors' responsibilities

DIRECTORS' RESPONSIBILITIES IN RESPECT 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 accounting standards in conformity with the requirements of the Companies Act 2006.

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 Group and the Company 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 and the Company will continue in business.

They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

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.

DIRECTORS' CONFIRMATIONS

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 and Company's position and performance, business model and strategy.

Each of the current Directors whose names and functions are set out on pages 62 and 63, confirm that to the best of their knowledge and belief:

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of 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 that it faces.

This responsibility statement was approved by the Board of Directors on 6 April 2021 and is signed on its behalf by:

Robert Watson OBE
Chairman

Nigel Majewski
Chief Financial Officer

Independent auditors' report
to the members of Hilton Food Group plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2021 and of the group's profit and the group's and company's cash flows for the 53 week period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheet as at 3 January 2021; the consolidated income statement, and the consolidated statement of comprehensive income, the consolidated and company cash flow statement, and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- Nine trading subsidiaries, together with four intermediate holding companies require local statutory audits and were in-scope for group reporting.
- A New Zealand trading subsidiary and four joint venture companies (the UK, Australian, Dutch and Portuguese) were subject to specified audit procedures.

Key audit matters

- Complex customer arrangements (group)
- Covid-19 (group)

Materiality

- Overall group materiality: £2,700,000 (2019: £2,157,800) based on 5% of profit before tax.
- Overall company materiality: £1,700,000 (2019: £1,676,000) based on 1% of total assets.
- Performance materiality: £2,025,000 (group) and £1,275,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to failure to comply with UK and international tax regulations, adherence to health and safety requirements and compliance with anti-bribery and corruption legislation in the jurisdictions in which the Group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, including revenue recognition and manipulation of EBIDTA, and management bias in accounting estimates or significant judgements.

The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with internal audit, management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation, and where relevant, testing of the operating effectiveness of management's controls designed to prevent and detect fraud in financial reporting;
- Confirmation that there have been no matters reported on the group's whistleblowing helpline;
- Review of minutes from board and other committee meetings e.g. audit committee or remuneration committee;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to complex customer arrangements (see related KAM);
- Reading any key correspondence with regulatory authorities received in the year; and
- Obtaining an understanding of the legal and regulatory framework applicable to the group and how the group is complying with that framework.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Complex customer arrangements (group)	
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 mainly based on contracted rates and known sales volumes, there is limited judgement required around the accurate recognition of these amounts 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 a heightened risk that the application of those terms might be calculated inaccurately, omitted from the calculation or included in the incorrect accounting period. 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, resulting in an increased risk of errors in the calculations.	• 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 management; • We inspected minutes of the Board to determine, to the extent that we did not identify any omitted agreements through our audit procedures in other areas, whether the list of contracts management had provided was complete; • We selected a sample of rebate and incentive accruals and agreed the inputs to the calculations to the contracts and the sales amounts in the accounting ledgers (which we had audited) to test the accuracy and timing of the recognition of the rebates; • We selected rebate and incentive payments made after the period end and checked that they were appropriately recognised in the correct period. Where settlement was made during the year or following the year end, we compared these to the amounts accrued; and • We performed look back procedures in relation to the liability held at 28 December 2019 and tested those that were settled in the financial period. No issues were identified through the procedures we performed.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Covid-19 (group)	
The ongoing Covid-19 pandemic continues to have a significant impact on the global economy and the economies of those countries in which the group operates. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies. The Group provides processed and packaged meat, fish and other proteins to supermarkets and the provision of food is a key sector in all of the countries that the Group operates in. As a key industry, the group's activities were allowed to continue during the pandemic and were not subject to enforced or advised closures. The Group has and continues to navigate the key challenges that Covid-19 has presented with no significant issues in respect of the availability of labour and the continued supply of raw materials and packaging materials. Management and the Board are continuing to monitor the ongoing impact of Covid-19. During the period they implemented a number of measures in line with the Group's risk management strategy to support the on-going operations of the facilities around the world. These include actions and mitigations such as: • The existence of the group's sister site protocols; • Regular communications with suppliers to understand the status of the supply chain and maintain required stock levels; • Regular communications with customers to support them in meeting consumer demand and product mix; and • Contingencies to ensure sufficient labour is available to operate the facilities. Management has included Covid-19 considerations when modelling future cash flows in relation to going concern.	• We have held discussions with the Directors and management; • We have reviewed board papers and analysis to understand the group's assessment of the continued impact of Covid-19; • We have obtained management's assessment and cashflow projections which include the ongoing forecast impact of Covid-19 on the Group; • We have assessed and challenged the assumptions applied by management and considered them to be reasonable; and • We have reviewed management's disclosures within the financial statements and consider these to be reasonable. Our conclusion in respect of going concern is included in the 'Conclusions relating to going concern' section below.

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 structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is structured as a parent company with twenty-one subsidiary undertakings. There are eleven trading subsidiaries located in the United Kingdom, the Republic of Ireland, the Netherlands, Poland, Denmark, Sweden and Australia; all of these entities are required to have statutory audits under local legislation. There are four intermediary holding companies, all located in the United Kingdom, which are all required to have statutory audits. All of these entities are audited by PwC network firms.

The remaining six entities are either dormant or newly incorporated entities and were not considered to be significant to the Group, though specific procedures were carried out on certain balances and transactions. In addition to these twenty-one entities the Group has a 50% interest in joint venture companies located in Australia, Portugal, the Netherlands and the United Kingdom.

The key protocols 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; holding planning discussions with all component auditors in order to agree those requirements; discussing the Group audit risks to identify any component specific risks; high level analysis of the financial information of the component by the Group engagement team to identify any unusual transactions or balances for discussion with component auditors; ongoing communication and interaction throughout the audit with the component audit teams; attending, with Group management, the component clearance meetings held between the component auditors and local management; and obtaining signed interoffice opinions that the component financial information was properly prepared in accordance with the group's accounting policies.

There are only two significant components in the Group whose statutory audit opinions are not signed by the Group engagement partner which are located in the Netherlands and Australia. The Group engagement partner reviewed the component auditors' working papers that support their interoffice opinions for these significant components. This review included assessing their work over the three significant risk areas: i) management override of controls; ii) the risk of fraud in revenue recognition; and iii) complex customer arrangements. In addition, on a rotational basis the Group engagement partner reviews the audit working papers for a non-significant component. For the current year, this related to the Ireland audit file. Following these reviews, meetings were held with each component to discuss findings from the engagement partner's review.

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 in aggregate on the financial statements as a whole.

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

	Financial statements – group	Financial statements – company
Overall materiality	£2,700,000 (2019: £2,157,800).	£1,700,000 (2019: £1,676,000).
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark for a holding company with no trading operations.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £100,000 and £2,150,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £2,025,000 for the group financial statements and £1,275,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (group audit) (2019: £100,000) and £100,000 (company audit) (2019: £100,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of Covid-19;
- understanding and evaluating the group's financial forecasts including severe, but plausible downside scenarios that could arise;
- critically assessing the assumptions used within the forecasts, including consideration of alternative views, and their impact on the group's liquidity and covenant compliance;
- comparing the group's financial forecasts to historical performance to assess management's ability to forecast as well as assessing the FY21 year to date performance against budget; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent auditors' report continued

If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 3 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report and Financial Statements that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in the respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.

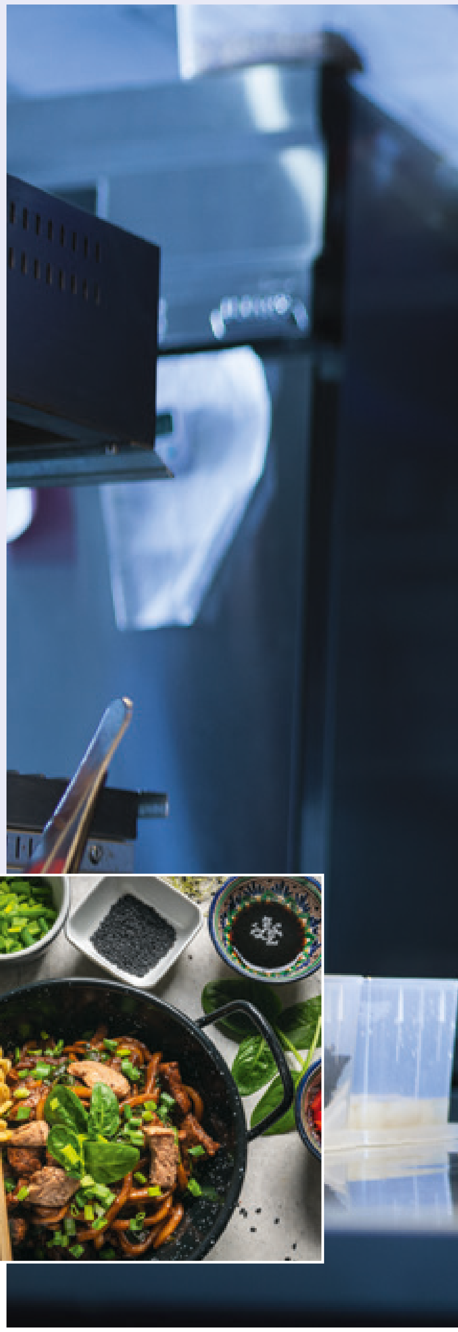
Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 1 October 2007 to audit the financial statements for the year ended 31 December 2007 and subsequent financial periods. The period of total uninterrupted engagement is 14 years, covering the years ended 31 December 2007 to 3 January 2021.

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

6 April 2021

Financial Statements



IN THIS SECTION

For more information visit
www.hiltonfoodgroupplc.com

Consolidated income statement

	Notes	2020 53 weeks £'000	2019 52 weeks £'000
Continuing operations			
Revenue	5	2,774,036	1,814,667
Cost of sales		(2,452,093)	(1,566,715)
Gross profit		321,943	247,952
Distribution costs		(23,246)	(22,778)
Administrative expenses		(236,859)	(175,811)
Share of profit in joint ventures		5,029	6,406
Operating profit		66,867	55,769
Finance income	9	22	96
Finance costs	9	(12,861)	(12,709)
Finance costs – net	9	(12,839)	(12,613)
Profit before income tax		54,028	43,156
Income tax expense	10	(11,988)	(7,996)
Profit for the year		42,040	35,160
Attributable to:			
Owners of the parent		39,736	33,065
Non-controlling interests		2,304	2,095
		42,040	35,160
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	11	48.6	40.5
Diluted (pence)	11	47.9	40.1

Consolidated statement of comprehensive income

	2020 53 weeks £'000	2019 52 weeks £'000
Profit for the year	42,040	35,160
Other comprehensive income/(expense)		
Currency translation differences	4,682	(4,175)
Other comprehensive income/(expense) for the year net of tax	4,682	(4,175)
Total comprehensive income for the year	46,722	30,985
Total comprehensive income attributable to:		
Owners of the parent	44,101	29,186
Non-controlling interests	2,621	1,799
	46,722	30,985

The notes on pages 108 to 140 are an integral part of these consolidated financial statements.

Consolidated and Company balance sheet

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	290,846	226,562	–	–
Intangible assets	14	70,071	69,539	–	–
Lease: right of use assets	15	235,135	178,293	–	–
Investments	16	12,622	11,758	157,221	157,221
Trade and other receivables	19	–	662	–	–
Deferred income tax assets	23	6,219	2,270	–	–
		614,893	489,084	157,221	157,221
Current assets					
Inventories	18	116,941	91,337	–	–
Trade and other receivables	19	199,642	214,611	14,272	10,272
Cash and cash equivalents	20	123,816	110,514	190	122
		440,399	416,462	14,462	10,394
Total assets		1,055,292	905,546	171,683	167,615
Equity					
Equity attributable to owners of the parent					
Ordinary shares	24	8,194	8,173	8,194	8,173
Share premium		65,619	64,251	65,619	64,251
Employee share schemes reserve		6,123	4,139	–	–
Foreign currency translation reserve		4,620	255	–	–
Retained earnings		161,607	140,192	26,851	24,172
Reverse acquisition reserve		(31,700)	(31,700)	–	–
Merger reserve		919	919	71,019	71,019
		215,382	186,229	171,683	167,615
Non-controlling interests		6,556	5,711	–	–
Total equity		221,938	191,940	171,683	167,615
Liabilities					
Non-current liabilities					
Borrowings	21	206,228	175,370	–	–
Lease liabilities	15	238,995	132,790	–	–
Deferred consideration	17	3,318	3,318	–	–
Deferred income tax liabilities	23	2,384	4,116	–	–
		450,925	315,594	–	–
Current liabilities					
Borrowings	21	39,759	21,969	–	–
Lease liabilities	15	6,250	51,843	–	–
Trade and other payables	22	332,354	321,771	–	–
Current tax liabilities		4,066	2,429	–	–
		382,429	398,012	–	–
Total liabilities		833,354	713,606	–	–
Total equity and liabilities		1,055,292	905,546	171,683	167,615

The notes on pages 108 to 140 are an integral part of these consolidated financial statements.

The financial statements on pages 104 to 140 were approved by the Board on 6 April 2021 and were signed on its behalf by:

R. Watson Director

N. Majewski Director

Hilton Food Group plc – Registered number: 06165540

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 £21,000,000 (2019: £27,200,000).

Statement of changes in equity

		Attributable to owners of the parent									
Group	Notes	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 31 December 2018		8,160	63,628	5,505	4,134	124,923	(31,700)	919	175,569	5,677	181,246
Profit for the year		–	–	–	–	33,065	–	–	33,065	2,095	35,160
Other comprehensive income											
Currency translation differences		–	–	–	(3,879)	–	–	–	(3,879)	(296)	(4,175)
Total comprehensive income for the year		–	–	–	(3,879)	33,065	–	–	29,186	1,799	30,985
Issue of new shares		13	623	–	–	–	–	–	636	–	636
Adjustment in respect of employee share schemes		–	–	(1,445)	–	–	–	–	(1,445)	–	(1,445)
Tax on employee share schemes		–	–	79	–	–	–	–	79	–	79
Dividends paid	12	–	–	–	–	(17,796)	–	–	(17,796)	(1,765)	(19,561)
Total transactions with owners		13	623	(1,366)	–	(17,796)	–	–	(18,526)	(1,765)	(20,291)
Balance at 29 December 2019		8,173	64,251	4,139	255	140,192	(31,700)	919	186,229	5,711	191,940
Profit for the year		–	–	–	–	39,736	–	–	39,736	2,304	42,040
Other comprehensive income											
Currency translation differences		–	–	–	4,365	–	–	–	4,365	317	4,682
Total comprehensive income for the year		–	–	–	4,365	39,736	–	–	44,101	2,621	46,722
Issue of new shares		21	1,368	–	–	–	–	–	1,389	–	1,389
Adjustment in respect of employee share schemes		–	–	2,120	–	–	–	–	2,120	–	2,120
Tax on employee share schemes		–	–	(136)	–	–	–	–	(136)	–	(136)
Dividends paid	12	–	–	–	–	(18,321)	–	–	(18,321)	(1,776)	(20,097)
Total transactions with owners		21	1,368	1,984	–	(18,321)	–	–	(14,948)	(1,776)	(16,724)
Balance at 3 January 2021		8,194	65,619	6,123	4,620	161,607	(31,700)	919	215,382	6,556	221,938
Company											
Balance at 31 December 2018		8,160	63,628	–	–	14,768	–	71,019	157,575		
Profit for the year		–	–	–	–	27,200	–	–	27,200		
Total comprehensive income for the year		–	–	–	–	27,200	–	–	27,200		
Issue of new shares		13	623	–	–	–	–	–	636		
Dividends paid	12	–	–	–	–	(17,796)	–	–	(17,796)		
Total transactions with owners		13	623	–	–	(17,796)	–	–	(17,160)		
Balance at 29 December 2019		8,173	64,251	–	–	24,172	–	71,019	167,615		
Profit for the year		–	–	–	–	21,000	–	–	21,000		
Total comprehensive income for the year		–	–	–	–	21,000	–	–	21,000		
Issue of new shares		21	1,368	–	–	–	–	–	1,389		
Dividends paid	12	–	–	–	–	(18,321)	–	–	(18,321)		
Total transactions with owners		21	1,368	–	–	(18,321)	–	–	(16,932)		
Balance at 3 January 2021		8,194	65,619	–	–	26,851	–	71,019	171,683		

The notes on pages 108 to 140 are an integral part of these consolidated financial statements.

Consolidated and Company cash flow statement

	Notes	Group 2020 53 weeks £'000	Group 2019 52 weeks £'000	Company 2020 53 weeks £'000	Company 2019 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	26	120,771	90,376	–	–
Interest paid		(12,861)	(12,709)	–	–
Income tax paid		(16,254)	(7,410)	–	–
Net cash generated from operating activities		91,656	70,257	–	–
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		–	591	–	–
Investment in joint ventures		–	(5,246)	–	–
Issue of inter-company loan		–	–	(4,000)	(10,000)
Purchases of property, plant and equipment		(92,803)	(98,555)	–	–
Proceeds from sale of property, plant and equipment		134	198	–	–
Purchases of intangible assets		(2,703)	(830)	–	–
Interest received		22	96	–	–
Dividends received		–	–	21,000	27,200
Dividends received from joint venture		4,271	4,995	–	–
Net cash (used in)/generated from investing activities		(91,079)	(98,751)	17,000	17,200
Cash flows from financing activities					
Proceeds from borrowings		92,563	95,596	–	–
Repayments of borrowings		(48,908)	(8,311)	–	–
Payment of lease liability		(15,044)	(14,776)	–	–
Issue of ordinary shares		1,389	636	1,389	636
Other financial asset		–	7,513	–	–
Dividends paid to owners of the parent		(18,321)	(17,796)	(18,321)	(17,796)
Dividends paid to non-controlling interests		(1,776)	(1,765)	–	–
Net cash generated from/(used in) financing activities		9,903	61,097	(16,932)	(17,160)
Net increase in cash and cash equivalents		10,480	32,603	68	40
Cash and cash equivalents at beginning of the year		110,514	80,234	122	82
Exchange gains/(losses) on cash and cash equivalents		2,822	(2,323)	–	–
Cash and cash equivalents at end of the year	20	123,816	110,514	190	122

The notes on pages 108 to 140 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 leading specialist international food packing business supplying major international food retailers in fourteen European countries and Australia. The Company's subsidiaries are listed in note 16.

The Company is a public company limited by shares incorporated and domiciled in the UK and registered in England. 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 2021 (prior financial year 52 weeks to 29 December 2019).

These consolidated financial statements were approved for issue on 6 April 2021.

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 £21,000,000 (2019: £27,200,000).

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 and company financial statements of Hilton Food Group plc have been prepared under the historical cost convention as modified by financial liabilities at fair value through profit or loss and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated and company 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 23.

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 2021. 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 over 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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.

Restatement of Prior Year Company Cash Flow Statement

Following discussions with the FRC in connection with their review of the Group's 2019 Annual report, the Company concluded that a £10m cash out flow arising from the issue of intercompany loans to its subsidiaries, which had previously been classified as financing activities, should have been classified as investing activities.

As a result of this the Company has restated the 2019 Company cash flow statement to classify the issue of this loan within net cash generated from investing activities, therefore reducing cash generated from investing activities from £27.2m to £17.2m with a corresponding reduction in cash used in financing activities from £27.2 to £17.2m. There is no impact of this adjustment on the net increase in cash and cash equivalents presented for the 2019 financial year.

International Financial Reporting Standards

a) New standards, amendments and interpretations effective in 2020

The following standards and amendments are applicable for accounting periods beginning on or after 1 January 2020. The Group has selected to adopt these early and they have had no impact on the Group's financial position or performance in the current or prior years.

Amendments to IAS 1 and IAS 8 – Definition of Material

Amendment to IFRS 3 – Definition of a Business

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

Revised Conceptual Framework for Financial Reporting (1 January 2020)

Annual Improvements to IFRS Standards 2018-2020 Cycle

b) New standard, amendments and interpretations issued but not yet effective, are subject to UK endorsement and not early adopted

IFRS 17, 'Insurance Contracts'* (effective 1 January 2023)

Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9 (effective 1 January 2021)

Amendments to IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021)

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective 1 January 2022)*

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use (effective 1 January 2022)*

Amendments to IFRS 3 – Reference to the Conceptual Framework (effective 1 January 2022)

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)*

Annual Improvements to IFRS Standards 2018-2022 (effective 1 January 2022)*

* Not yet endorsed by the UK.

IFRS 16 – Leases

This note explains the impact the adoption of IFRS 16 "Leases" had on the Group's consolidated financial statements and discloses the accounting policies that have been applied since 31 December 2018. The Group adopted IFRS 16 early, applying the modified retrospective approach, and did not restate comparatives for the reporting period ended 30 December 2018, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 December 2018.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 31 December 2018. The weighted average lessee's incremental borrowing rates applied to leases ranged from 1.8% – 5.2% and were dependent on tenor of the lease liabilities and the country in which the lease agreement was entered into.

For leases previously classified as finance leases the Group has recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

	£'000
Operating lease commitment disclosed as at 30 December 2018	100,106
Less: short term and low value leases recognised on a straight line basis	(1,463)
Add: Adjustments as a result of changes to treatment of extension and termination options	16,765
Add: Increase in lease liabilities resulting from changes to assessment of purchase options (see below)	51,518
Less: Impact of discounting using incremental borrowing rates	(25,771)
Lease liability recognised following adoption of IFRS 16	141,155
Add: Existing finance lease liabilities at 30 December 2018	1,793
Opening lease liability recognised at 31 December 2018	142,948

Of which were:	
Current lease liabilities	22,053
Non-current lease liabilities	120,895
	142,948

Right-of-use assets for all leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 30 December 2018.

The recognised right-of-use assets relates to leases of land and buildings and other assets classes.

	29 December 2019 £'000	31 December 2018 £'000
Land and buildings	132,940	77,748
Other leased assets	45,353	62,899
Total	178,293	140,647

Increase in lease liabilities resulting from changes to the assessment of purchase obligations

The reconciliation of lease commitments presented above includes £51.5m recognised in respect of lease purchase obligations that had not previously been recognised. The reconciliation presented within the 2019 financial statements noted that these were purchase options, however having reviewed the lease arrangements further the Group now considers these to have been purchase obligations and has concluded that the inclusion of these lease cash flows within the calculation of lease liabilities was not an area of significant judgement.

On further review, prompted by the FRC's review of the 2019 Annual report, the Group has also concluded that these lease arrangements should have been recognised as finance leases in accordance with the requirements of IAS 17 in prior years' financial statements.

If the Group had applied the requirements of IAS 17, then the balance sheet at the 2018 reporting date would have included:

– Additional property plant and equipment in respect of financed leased assets of £65.9m, which would have resulted in a corresponding increases in total non-current assets to £299.5m and total assets to £643.0m
– Additional finance lease liabilities of £66.2m of which £10.4m would have been classified as falling due within one year. This would have resulted in current liabilities increasing to £290.7m, non-current liabilities increasing to £171.3m and therefore total liabilities increasing to £462.0m
– A net reduction in equity of £0.3m

Had these leases been recognised as finance leases in 2018 then the impact on the consolidated profit and loss account would have been as follows:

– Net reduction in administration expenses and therefore an increase in operating profit of £1.0m
– Net increase in interest on finance lease liabilities of £1.4m
– Overall reduction in profit before tax of £0.4m

The corrected position calculated in accordance with IAS 17, and the balances recognised on transition to IFRS 16 as at 31 December 2018 in respect of these leases are not materially different and therefore no adjustments have been made to the comparative 2019 financial statements presented.

Where presented, historic balance sheet information has been restated to reflect the impact that the recognition of these finance leases would have had. No changes have been made to historic profit and loss information, as any adjustments are not considered material to the financial statements.

Group leasing activities and accounting treatment

The Group's leases relate to property leases for a number of food processing facilities, leases of plant and equipment and leases of motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation is being charged to administration expenses in the Group's Income Statement, in-line with where depreciation has previously been recorded.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Revenue recognition

The Group sources raw materials often in conjunction with its customers. The raw materials are then processed, packed and delivered to customers. Revenue is recognised when control of the products has transferred, that is when the products have been delivered to the customer's specified location or have been collected by the customer from the Group's facilities. At that point the customers have obtained all the benefits of the products and have full discretion over the channel and price to sell the products, and the Group has no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location or have been collected 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.

The products are sold with discounts and rebates which are based on contractual arrangements. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts or rebate. Accumulated experience is used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A payable is recognised for expected rebates and discounts are deducted from the amount receivable from the customer.

A receivable is recognised when the goods are delivered to the customer's specified location or collected by the customer, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

Notes to the financial statements continued

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.

Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

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) Other intangibles
Other intangibles include acquired software licences, customer relationships and brands and are stated at cost or acquisition fair value less accumulated amortisation. Software license are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged on a straight line basis over the assets' useful economic lives of three to ten years.

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

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 its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

These items 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. Such assets include, 'trade and other receivables', 'cash and cash equivalents' and 'other financial assets' in the balance sheet.

b) Recognition and measurement
Regular way purchases and sales of financial assets are recognised on trade date being the date on which the Group commits to purchase or sell the asset.

Financial assets are recognised initially at the amount of consideration that is unconditional, unless they contain a significant financing component, in which case they are recognised at fair value. These assets are held with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

c) Impairment of financial assets
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets.

Once the expected credit loss has been determined, this is deducted from the carrying value of the asset and 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.

Notes to the financial statements continued

2 Summary of significant accounting policies continued

Trade and other receivables

Trade receivables are 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 the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 19.

The Group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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.

Cash flow statement – classification of movement of other financial asset within financing activities

During the 2017 financial year the Group recognised bank deposits, maturing after three months, and classified them as an "other financial asset", these deposits matured during 2019. The deposit balances were held as security in respect a number of the Group's leases and as a result, cash flows recognised when the deposits were initially established and when they subsequently matured in 2019 were considered to be in respect of financing transactions and were categorised accordingly within the consolidated cash flow statement.

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.

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.

Employment benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Pensions and other post-employment benefits

The Group operates defined contribution schemes for certain employees in the UK, Ireland, the Netherlands, Belgium, Denmark and Australia 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 share-based compensation plans that have been accounted for as equity settled schemes. 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.

Notes to the financial statements continued

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, Polish Zloty, Australian Dollar and New Zealand Dollar 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.

(iv) Sensitivity analysis

Group	Income statement £'000	2020 Equity £'000	Income statement £'000	2019 Equity £'000
Annual effect of a change in Group-wide interest rates by 0.5%	762	762	572	572
	(762)	(762)	(572)	(572)
Annual effect of a change in exchange rates to the GBP £ by 10%	3,353	12,304	2,625	9,494
	(2,743)	(10,067)	(2,147)	(7,768)

(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 £187.8m (2019: £205.7m) as stated in note 30.

(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 £123.8m (2019: £110.5m) 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:

			2020			2019
	Borrowings £'000	Leases £'000	Trade and other payables £'000	Borrowings £'000	Leases £'000	Trade and other payables £'000
Less than one year	42,473	15,010	324,858	26,110	58,130	315,094
Between one and two years	208,058	19,595	–	35,072	13,378	–
Between two and five years	–	58,227	–	146,054	37,247	–
Over five years	–	255,619	–	–	125,049	–

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 bank debt as per note 27 divided by EBITDA as shown in note 31. Net bank 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, excluding the impact of IFRS 16. The gearing of the Company was 115.3% as at the year end (2019: 108.4%).

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.

Critical accounting judgements

Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of buildings and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Long term supply contracts

On adoption of IFRS 16 the Group elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessments made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

Some of Hilton's long term supply contracts are on a cost plus basis. These cost plus arrangements typically contain benchmarking clauses which allow our customers to obtain competitive pricing or to source supply from a competitor. Additional 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, market price. On this basis the criteria in IFRIC 4 for determining whether these agreements contained a lease were not met.

Under IFRS 16 the assessment of whether a contract is or contains a lease will be determined based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contracts conveys the right to control the use of an asset judgement is required in the assessment of a customer's right to:

- obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- direct the use of the identified asset.

Although a number of the Group's supply contracts are fulfilled from dedicated manufacturing facilities, and therefore customers will obtain a significant proportion of the economic benefits from their use, the Group believes that future Long Term Supply contracts should not be assessed as containing leases as the Group considers it has the right to direct the use of the identified assets.

Notes to the financial statements continued

4 Critical accounting estimates and judgements continued

Woolworths Meat Co. Pty Limited Joint Venture

(i) Assessment of Control

In July 2018 the Group took day-to-day operational responsibility for the joint venture (JV) meat processing facilities operated in Australia and following the conclusion of a two year transition period took full control of these facilities in June 2020.

During the two-year transition period these processing facilities continued to be owned by the Group's JV partner, Woolworths, and continued to be operated under the oversight of the JV Board which had control over key business and strategic decisions.

The JV continued to earn a processing fee based on the volume of retail packed meat produced at the facilities over which it had oversight.

Both Hilton and its JV partner had equal representation on the JV Board with the JV partner able to appoint the Chairman of the Board. All decisions of the JV Board needed to be unanimous though in the event of unresolved deadlock Hilton's JV partner would have had the right to purchase Hilton's interest in the JV at net book value.

Although the Group had day-to-day operational responsibility for the processing facilities during the transition period, the oversight provided by the JV Board meant that in the Group's judgement it did not control the JV. Therefore, during the transition period the Group continued to account for its 50% interest in the JV using the equity method of accounting.

At the end of the transition period in June 2020 the JV Board's role overseeing the key business and strategic decision of the processing facilities ended.

From this point, the facilities were fully controlled by the Group and have been fully consolidated within the Group's financial statements.

(ii) Revenue recognition

Throughout the two-year transition period referred to above the costs of production of this meat, other raw materials and indirect and direct overheads, at the JV controlled facilities were administered by the Group and then recharged to its customer.

The assessment of whether the Group should recognise the costs and related recharges on a net basis or gross basis, with revenue and equal costs recognised separately, required the exercise of significant judgement.

These activities did not directly affect the Group's primary return from the JV facilities, which continued to be derived from its 50% interest in Woolworths Meat Co. Pty Limited.

The Group concluded that during the transition period it was acting as an agent on behalf of the JV rather than as principal fully responsible for the processing activities of the facilities and therefore recognised revenue from the facilities on a net basis.

This conclusion was reached following consideration of the following factors:

- During the transition period the JV rather than the Group was primarily responsible for ensuring processed products were provided to its customer.
- The cost recovery mechanism during the transition period resulted in the majority of the inventory risk associated with the operations remaining with the JV's customer rather than with the Group.
- The Group was not exposed to significant pricing risk.

Following the end of the transition period, on 30 June 2020, the JV arrangements ended and the Group took full control of and responsibility for the inputs and outputs of these facilities.

Accordingly, the Group became entitled to earn income directly from these facilities and was exposed to the full risk and rewards of ownership and control of their operations. From this point onwards when consolidating the result of its subsidiary the Group has recognised the income and expenses of these meat processing operations on a gross basis with revenue of £319.5m being recognised since 30 June 2020.

Share based payments

The Group operates a Long Term Incentive Plan (LTIP) and an employee Sharesave scheme both of which have been accounted for as equity-settled share based payment schemes under IFRS 2.

Upon exercise, awards under the LTIP scheme may be settled either through issuing new shares to participants, by issuing shares that have been purchased in the market or, at the sole discretion of the Company, through offering a cash alternative based on the market value of the Group's shares immediately prior to settlement.

Awards under the LTIP scheme first began to vest during the 2017 financial year and options exercised have been settled either by providing plan participants with shares purchased in the market by the Group or the cash equivalent to the market value of the shares.

Following the FRC's enquiry into the Group's 2019 Annual report and having reviewed paragraph 41 of IFRS 2 the Group now recognises that although it was at its sole discretion to do so, it had created an expectation and therefore a constructive obligation to settle LTIP awards in cash.

Accordingly LTIP awards should have been modified from equity settled share based payments to cash settled share based payments once this practice and precedent was established in 2018.

The Group ended its practice of settling LTIP exercises with cash alternatives during 2020 and communicated this to plan participants. Therefore there is no longer a constructive obligation to settle share based payments in cash and the schemes concerned have reverted to being equity settled.

The Group reviewed the impact of the adjustments that would have been required had the modifications from equity settled to cash settled share based payments been recognised and concluded that they were not material to the Group's financial statements. In doing so the Group considered the quantitative impact of any adjustments, with reference to the Group's reported profit, net assets or equity position, and the qualitative impact when considered in the context of other information disclosed by the Group in the financial statements or to other stakeholders.

As a result the Group has not adjusted the comparative financial information to account for the modification from equity settled to cash settled shared based payment schemes in prior years and no adjustments have been made to the 2020 financial statements to reflect the subsequent modification back to equity settlement.

Critical accounting estimates

Goodwill impairment

Goodwill is reviewed for impairment on at least an annual basis. Details of the tests and carrying value of the assets are shown in note 14. An impairment review requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated using either value-in-use or fair value less costs of disposal calculations. Value-in-use calculations require assumptions to be made regarding the expected future cash flows from the cash generating unit and choice of a suitable discount rate in order to calculate the present value of those cash flows. Fair value less costs of disposal calculations can be based on transaction prices observed in the market for comparable assets or if these are not available using a discounted cash flow model, requiring assumptions in respect of cash flows and suitable after-tax discount rates to be made. If the actual cash flows are lower than estimated, future impairments may be necessary.

Share based payments

Note 25 describes the key assumptions and valuation model inputs used in the determination of the fair values of awards made under the Group's share based payment plans.

In addition, estimates are made as to the number of awards that will ultimately vest based on the Group's projected future financial performance, in relation to the probability of meeting non-market-based performance conditions and the continuing participation of employees in the plans.

Of these estimates, future outcomes are likely to be most significantly impacted by changes to expectations of the Group's adjusted earnings per share performance. If projected performance was to increase by 10% above expectations, expected share based payment charges would increase by approximately £0.7m in the next year, however were projected results to fall by 10% compared to expectations share based payment charges would be expected to reduce by approximately £1.8m.

Business combinations

For business combinations the assets acquired, liabilities assumed and consideration payable are all valued at fair value. This requires a number of estimates and judgement to be applied, including in respect of expected future performance when assessing the fair value of deferred consideration.

Deferred consideration payable in respect of the acquisition of SV Cuisine Limited in 2019 (see note 17) is calculated based on a multiple of SV Cuisine's average post-acquisition EBITDA to February 2022 adjusted for working capital, cash and debt levels. The fair value of deferred consideration payable is re-measured at each reporting date and the assessment is based on the Group's best estimate of post-acquisition performance and cash flows. If projected performance for the period to February 2022 was to increase by 10% then the fair value of deferred consideration would increase by £1.0m, with a 10% reduction in performance leading to a £1.0m reduction in deferred consideration payable.

Deferred consideration payable is not contingent on future employment and has therefore been recognised as a liability from the date of acquisition.

During 2020 and 2019 there were no other critical accounting estimates or judgements in relation to the application of the Group or Company's accounting policies.

Notes to the financial statements continued

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 nine operating segments: i) United Kingdom; ii) Netherlands; iii) Belgium; iv) Republic of Ireland; v) Sweden; vi) Denmark; vii) Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia; viii) Portugal; ix) Australasia and x) Central costs. The United Kingdom, Netherlands, Belgium, Republic of Ireland, Sweden, Denmark, Central Europe and Portugal have been aggregated into one reportable segment 'Europe' as they have similar economic characteristics as identified in IFRS 8. Australasia and Central costs comprise the other reportable segments.

In the prior year, Western and Central Europe were presented as separate segments, however these have now been combined into a single European segment. 2019 segmental information has been restated to show the combined segment.

From a product perspective the Executive Directors consider that the Group has only one identifiable product, wholesaling of food protein products including meat, fish and vegetarian. 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:

	Europe £'000	Australasia £'000	Central costs £'000	2020 Total £'000	Europe £'000	Australasia £'000	Central costs £'000	2019 Total £'000
Total revenue	2,044,190	784,455	–	2,828,645	1,765,443	89,772	–	1,855,215
Inter-co revenue	(54,609)	–	–	(54,609)	(40,548)	–	–	(40,548)
Third party revenue	1,989,581	784,455	–	2,774,036	1,724,895	89,772	–	1,814,667
Adjusted operating profit/(loss) segment result (see note 31)	62,581	17,209	(12,762)	67,028	55,233	9,589	(10,110)	54,712
Amortisation of acquired intangibles	(2,449)	–	–	(2,449)	(2,438)	–	–	(2,438)
Impact of IFRS 16	406	1,882	–	2,288	244	3,251	–	3,495
Operating profit/(loss) segment result	60,538	19,091	(12,762)	66,867	53,039	12,840	(10,110)	55,769
Finance income	22	–	–	22	5	91	–	96
Finance costs	(3,243)	(8,140)	(1,478)	(12,861)	(3,232)	(7,523)	(1,954)	(12,709)
Income tax (expense)/credit	(11,165)	(2,568)	1,745	(11,988)	(9,864)	393	1,475	(7,996)
Profit/(loss) for the year	46,152	8,383	(12,495)	42,040	39,948	5,801	(10,589)	35,160
Depreciation and amortisation	32,433	25,877	91	58,401	30,014	15,286	122	45,422
Additions to non-current assets	24,459	70,733	314	95,506	50,027	48,941	417	99,385
Segment assets	568,638	453,143	27,292	1,049,073	541,582	348,293	13,401	903,276
Deferred income tax assets				6,219				2,270
Total assets				1,055,292				905,546
Segment liabilities	324,582	427,050	75,272	826,904	302,351	329,449	75,261	707,061
Current income tax liabilities				4,066				2,429
Deferred income tax liabilities				2,384				4,116
Total liabilities				833,354				713,606

Sales between segments are carried out at arm's length.

The Executive Directors assess the performance of each operating segment based on its operating profit before exceptional items and amortisation of acquired intangibles and also before the impact of IFRS 16 (see note 31). 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 has five principal customers (comprising groups of entities known to be under common control), Tesco, Ahold Delhaize, Coop Danmark, ICA Gruppen and Woolworths. These customers are located in the United Kingdom, Netherlands, Belgium, Republic of Ireland, Sweden, Denmark and Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia and Australasia.

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

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Analysis by geographical area				
United Kingdom – country of domicile	1,125,955	960,919	165,564	180,418
Netherlands	301,537	281,807	7,545	3,967
Belgium	6,617	–	10,381	–
Sweden	221,886	197,085	18,060	9,322
Republic of Ireland	102,460	88,526	6,025	4,474
Denmark	122,643	105,319	18,444	17,323
Central Europe	108,483	91,239	25,164	26,546
Australasia	784,455	89,772	357,491	244,764
	2,774,036	1,814,667	608,674	486,814
Analysis by principal customer				
Customer 1	1,168,179	980,224		
Customer 2	330,644	301,296		
Customer 3	232,022	208,230		
Customer 4	117,197	103,233		
Customer 5	784,455	89,772		
Other	141,539	131,912		
	2,774,036	1,814,667		

6 Auditors' remuneration

Services provided by the Company's auditors 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	2020 £'000	2019 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	160	148
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	450	342
– Other services pursuant to legislation	47	47
– All other services including regulatory acquisition work	25	25
Total fees payable to the Company's auditors and its associates	682	562

Notes to the financial statements continued

7 Expenses by nature

Group	2020 £'000	2019 £'000
Changes in inventories of finished goods and goods for resale	(690)	(2,207)
Raw materials and consumables used	2,264,608	1,442,533
Employee benefit expense (note 8)	190,859	143,942
Depreciation and amortisation – owned assets	40,051	26,422
Depreciation and amortisation – leased assets	18,350	19,000
Repairs and maintenance expenditure on property, plant and equipment	21,305	15,779
Transportation expenses	22,058	22,145
Foreign exchange losses	1,750	35
Other expenses	153,907	97,655
Total cost of sales, distribution costs and administrative expenses	2,712,198	1,765,304

8 Employee benefit expense

Group	2020 £'000	2019 £'000
Staff costs during the year		
Wages and salaries	161,986	121,794
Social security costs	16,462	14,452
Share options granted to Directors and employees	4,372	2,136
Other pension costs	8,039	5,560
	190,859	143,942

Group	2020 Number	2019 Number
Average number of persons employed (including Executive Directors) during the year by activity		
Production	4,305	4,100
Administration	1,136	1,016
	5,441	5,116

Group	2020 £'000	2019 £'000
Key management compensation (including Directors)		
Salaries and short term employee benefits, including termination benefits	8,062	8,394
Post-employment benefits	441	478
Share-based payments	3,081	1,495
	11,584	10,367

Group	2020 £'000	2019 £'000
Directors' emoluments		
Aggregate emoluments	4,572	4,288
Company contribution to money purchase pension scheme	194	190
	4,766	4,478

Further details of Directors' emoluments and share interests, including the highest paid Director, are given in the Directors' remuneration report.

The Company has no employees and Directors do not receive emoluments from the Company. Employee expenses of the Company amounted to £nil (2019: £nil).

9 Finance income and costs

Group	2020 £'000	2019 £'000
Finance income		
Interest income on short term bank deposits	–	91
Other interest income	22	5
Finance income	22	96
Finance costs		
Bank borrowings	(4,483)	(3,514)
Interest on lease liabilities	(6,919)	(7,694)
Other interest expense	(1,459)	(1,501)
Finance costs	(12,861)	(12,709)
Finance costs – net	(12,839)	(12,613)

10 Income tax expense

Group	2020 £'000	2019 £'000
Current income tax		
Current tax on profits for the year	17,878	10,681
Adjustments to tax in respect of previous years	(273)	(87)
Total current tax	17,605	10,594
Deferred income tax		
Origination and reversal of temporary differences	(5,721)	(2,875)
Adjustments to tax in respect of previous years	104	277
Total deferred tax	(5,617)	(2,598)
Income tax expense	11,988	7,996

Deferred tax charged directly to equity during the year in respect of employee share schemes amounted to £135,954 (2019: credit £79,000).

Factors affecting future tax charges

The Group operates in numerous tax jurisdictions around the world and is subject to factors that may affect future tax charges including transfer pricing, tax rate changes and tax legislation changes.

The prevailing UK corporation tax rate of 19% was substantively enacted as part of the Finance Act 2019 on 12 March 2019. In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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 19% (2019: 19%) applied to profits of the consolidated entities as follows:

	2020 £'000	2019 £'000
Profit before income tax	54,028	43,156
Tax calculated at the standard rate of UK Corporation Tax 19% (2019: 19%)	10,265	8,200
Expenses not deductible for tax purposes	834	367
Joint venture received net of tax	(1,364)	(1,217)
Adjustments to tax in respect of previous years	(169)	190
Profits taxed at rates other than 19% (2019: 19%)	2,501	694
Deferred tax on IFRS 16	(87)	(280)
Other	8	42
Income tax expense	11,988	7,996

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

Notes to the financial statements
continued

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		2020 Basic	2020 Diluted	2019 Basic	2019 Diluted
Profit attributable to owners of the parent	(£'000)	39,736	39,736	33,065	33,065
Weighted average number of ordinary shares in issue	(thousands)	81,835	81,835	81,665	81,665
Adjustment for share options	(thousands)	–	1,084	–	836
Adjusted weighted average number of ordinary shares	(thousands)	81,835	82,919	81,665	82,501
Basic and diluted earnings per share	(pence)	48.6	47.9	40.5	40.1

12 Dividends

Group and Company	2020 £'000	2019 £'000
Final dividend in respect of 2019 paid 15.4p per ordinary share (2018: 15.8p)	12,586	12,893
Interim dividend in respect of 2020 paid 7.0p per ordinary share (2019: 6.0p)	5,735	4,903
Total dividends paid	18,321	17,796

The Directors propose a final dividend of 19.0p per share payable on 2 July 2021 to shareholders who are on the register at 4 June 2021. This dividend totalling £15.6m has not been recognised as a liability in these consolidated financial statements.

During 2018 the Company declared and paid an interim dividend totalling £4.6m out of distributable reserves. The Companies Act 2006 requires public companies where necessary to prepare and file relevant accounts with the Registrar of Companies. However it has come to the attention of the Directors that the Company did not fully comply with these requirements resulting in a technical infringement of the Companies Act. In order to address this situation a special resolution will be proposed at the Company's 2021 Annual General Meeting.

Dividends paid to non-controlling interests in the year totalled £1,776,000 (2019: £1,765,000).

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 31 December 2018	75,309	282,860	14,127	352	372,648
IFRS 16 transfer to Right-of-Use asset	(3,484)	–	–	–	(3,484)
Exchange adjustments	(1,940)	(11,328)	(597)	(3)	(13,868)
Acquisition (note 17)	33	817	–	–	850
Additions	17,932	72,176	2,712	75	92,895
Additions: Transfer from Right-of-Use Asset	5,660	–	–	–	5,660
Transfer to intangible assets	–	(953)	–	–	(953)
Disposals	–	(1,031)	(199)	(150)	(1,380)
At 29 December 2019	93,510	342,541	16,043	274	452,368
Accumulated depreciation					
At 31 December 2018	25,306	176,896	11,769	128	214,099
IFRS 16 transfer to Right-of-Use asset	(2,600)	–	–	–	(2,600)
Exchange adjustments	(608)	(7,172)	(513)	(2)	(8,295)
Charge for the year	3,586	18,818	1,321	76	23,801
Disposals	–	(876)	(198)	(125)	(1,199)
At 29 December 2019	25,684	187,666	12,379	77	225,806
Net book amount					
At 31 December 2018	50,003	105,964	2,358	224	158,549
At 29 December 2019	67,826	154,875	3,664	197	226,562
Cost					
At 30 December 2019	93,510	342,541	16,043	274	452,368
Exchange adjustments	1,250	15,655	820	(1)	17,724
Additions	2,793	49,040	3,637	110	55,580
Additions: Transfer from Right-of-Use Asset	–	37,223	–	–	37,223
Transfer to intangible assets	–	(566)	–	–	(566)
Disposals	(30)	(650)	(2)	(211)	(893)
At 3 January 2021	97,523	443,243	20,498	172	561,436
Accumulated depreciation					
At 30 December 2019	25,684	187,666	12,379	77	225,806
Exchange adjustments	528	7,245	473	(1)	8,245
Charge for the year	4,168	30,609	2,483	38	37,298
Disposals	(30)	(615)	(2)	(112)	(759)
At 3 January 2021	30,350	224,905	15,333	2	270,590
Net book amount					
At 3 January 2021	67,173	218,338	5,165	170	290,846

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 £20,318,102 (2019: £37,708,439).

Additions to property, plant and equipment include capitalised interest costs of £409,000 (2019: £2,206,000).

Notes to the financial statements continued

14 Intangible assets

Group	Computer software £'000	Brand and customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 31 December 2018	6,273	21,907	44,793	72,973
Exchange adjustments	(173)	–	–	(173)
Acquisition (note 17)	–	653	2,789	3,442
Additions	830	–	–	830
Transfer from property, plant and equipment	953	–	–	953
Disposals	(25)	–	–	(25)
At 29 December 2019	7,858	22,560	47,582	78,000
Accumulated amortisation				
At 31 December 2018	3,269	2,744	–	6,013
Exchange adjustments	(148)	–	–	(148)
Charge for the year	183	2,438	–	2,621
Disposals	(25)	–	–	(25)
At 29 December 2019	3,279	5,182	–	8,461
Net book amount				
At 31 December 2018	3,004	19,163	44,793	66,960
At 29 December 2019	4,579	17,378	47,582	69,539
Cost				
At 30 December 2019	7,858	22,560	47,582	78,000
Exchange adjustments	41	–	–	41
Additions	2,703	–	–	2,703
Transfer from property, plant and equipment	566	–	–	566
Disposals	(188)	–	–	(188)
At 3 January 2021	10,980	22,560	47,582	81,122
Accumulated amortisation				
At 30 December 2019	3,279	5,182	–	8,461
Exchange adjustments	25	–	–	25
Charge for the year	304	2,449	–	2,753
Disposals	(188)	–	–	(188)
At 3 January 2021	3,420	7,631	–	11,051
Net book amount				
At 3 January 2021	7,560	14,929	47,582	70,071

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

Goodwill Impairment Testing

Goodwill includes £44,793,000 relating to the acquisition of the Seachill business in 2017 and £2,789,000 recognised in 2019 following the acquisition of SV Cuisine Limited. Seachill and SVC Cuisine are each considered to be separate cash generating units. The recoverable amount of the Seachill cash generating unit was determined on a value-in-use basis and the recoverable amount of SV Cuisine was based on its fair value less costs of disposal after allowing for the impact of planned investment; in both cases using a discounted cash flow model. For each cash generating unit the recoverable amounts calculated exceeded their carrying value.

The key assumptions used in the calculations are projected EBITDA, projected profit after tax, the pre-tax and post-tax discount rates and the growth rates used to extrapolate cash flows beyond the projected period. EBITDA and profit after tax are based on one-year budgets approved by the Board and longer term, three year, projections based on past experience adjusted to take account of the impact of expected changes to sales prices, volumes, business mix and margin. Cash flows are discounted at a pre-tax discount rate of 10% (2019: 11%) or a post-tax discount rate of 8% (2019: 9%) with a growth rate of 2% (2019: 2%) used to extrapolate cash flows.

Sensitivity to changes in assumptions

The calculation is most sensitive to changes in the assumptions used for projected cash flow, the pre-tax discount rate and the growth rate. Management considers that reasonably possible changes in assumptions would be an increase in discount rate of one percentage point, a reduction in growth rate of 1 percentage point or a 10% reduction in budgeted cash flow. As an indication of sensitivity, when applied to the value-in-use calculation neither a 1% reduction in growth rate, a 10% reduction in budgeted cash flow, nor a 1% increase in the discount rate would have resulted in an impairment of goodwill in the year.

No indicators of impairment were identified in respect of other, amortised, intangible assets and therefore no impairment review has been undertaken.

15 Leases

(i) Amounts recognised in the balance sheet

The balance sheet includes the following amounts relating to leases:

Lease: right of use assets Group	Land & Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Opening net book amount as at 31 December 2018	77,748	60,725	2,174	140,647
Exchange Adjustments	(4,060)	(1,828)	(77)	(5,965)
Additions	67,975	108	1,432	69,515
Acquisition (note 17)	232	–	–	232
Transfer to tangible fixed assets	(5,660)	–	–	(5,660)
Remeasurements, reclassification and scope changes	6,547	(8,066)	43	(1,476)
Depreciation	(9,842)	(8,260)	(898)	(19,000)
Closing net book amount at 29 December 2019	132,940	42,679	2,674	178,293
Exchange Adjustments	10,469	295	83	10,847
Additions	98,427	195	1,303	99,925
Transfer to tangible fixed assets	–	(37,223)	–	(37,223)
Remeasurements, reclassification and scope changes	2,592	(586)	(363)	1,643
Depreciation	(13,008)	(4,254)	(1,088)	(18,350)
Closing net book amount at 3 January 2021	231,420	1,106	2,609	235,135

Lease liabilities Group	2020 £'000	2019 £'000
Current	6,250	51,843
Non-current	238,995	132,790
	245,245	184,633

Maturity analysis – contractual undiscounted cash flows Group	2020 £'000	2019 £'000
Less than one year	15,010	58,130
One to five years	77,822	50,625
More than five years	255,619	125,049
Total lease liabilities	348,451	233,804

Notes to the financial statements continued

15 Leases continued

(ii) Amounts recognised in the consolidated income statement

The income statement shows the following amounts related to leases:

Depreciation charge on right-of-use assets Group	2020 £'000	2019 £'000
Buildings	13,008	9,842
Plant & equipment	4,254	8,260
Vehicles	1,088	898
	18,350	19,000
Interest expenses (included in finance costs)	6,919	7,694
Expenses relating to short-term leases (included in costs of goods sold and administrative expenses)	278	790
Expenses relating to leases of low-value assets that have not been shown above as short-term (included in costs of goods sold and administrative expenses)	24	22

The total cash outflow for leases in 2020 was £59,488,000 (2019: £28,942,000).

Variable Lease Payments

Leases with liabilities recognised of £10,163,000 (2019: £10,456,000), accounting for 4.1% (2019 5.6%) of total lease liabilities, are subject to five yearly RPI linked rent reviews. These rent reviews are subject to a minimum collar, the impact of which is included in the calculation of lease liabilities and a maximum cap. If the impact of these variable lease payments had been recognised, applying index levels as at 3 January 2021, lease liabilities would have increased by 2020: £633,000 (2019: £508,000).

In addition, leases with liabilities recognised totalling £11,063,000 (2019: £3,702,000), accounting for 4.5% (2019: 2.0%) of total lease liabilities, are subject to annual CPI linked rent increases. If the impact of these variable lease payments had been recognised, applying index levels as at 3 January 2021, lease liabilities would have increased by £44,000 (2019: £18,000).

16 Investments

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	2020 £'000	2019 £'000
At the beginning of the year	11,758	5,209
Acquisitions	–	5,246
Profit for the year	5,029	6,406
Dividends received	(4,271)	(4,995)
Effect of movements in foreign exchange	106	(108)
At the end of the year	12,622	11,758

Where relevant, management accounts for the joint venture have been used to include the results up to 3 January 2021. The Group's share of the net assets, income and expenses of the joint venture are detailed below:

Set out below are the joint ventures of the Group as at 3 January 2021.

				(%) Proportion of ordinary shares held by	
Joint venture	Registered address	Country	Share class	Parent	Group
Woolworths Meat Co. Pty Limited*	1 Woolworths Way, Bella Vista, NSW 2153	Australia	AUD 1 Ordinary	–	50
Sohi Meat Solutions – Distribuicao de Carnes SA	Zona Industrial de Santarem – Quinta de Mocho District, Santarem, 2005 002 Varzea	Portugal	€5 Ordinary	–	50
Foods Connected Limited	Ground Floor, Old City Factory, Patrick Street, Londonderry, Northern Ireland, BT48 7EL	UK	£1 Ordinary	–	50
Foods Connected Australia Pty Limited	62 Burwood Road, Burwood, NSW 2134	Australia	AUD 1 Ordinary	–	50
Dalco Food BV	Sweelinckstraat 8, 5344 AE Oss	Netherlands	€45.38 Ordinary	–	50

* Prior to 30 June 2020 Woolworths Meat Co. Pty Limited provided oversight and ultimately controlled joint venture meat processing facilities operated in Australia. In June 2020 the Group took full control of these facilities and Woolworths Meat Co. Pty Limited's oversight role came to an end and the company ceased trading.

The tables below provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts.

Summarised balance sheet	Sohi Meat Solutions 2020 £'000	Sohi Meat Solutions 2019 £'000	Woolworths Meat Co. Pty Limited 2020 £'000	Woolworths Meat Co. Pty Limited 2019 £'000	Dalco Food BV 2020 £'000	Dalco Food BV 2019 £'000
Current assets						
Cash and cash equivalents	417	158	–	–	3,934	937
Other current assets	41,987	39,907	–	2,412	17,145	15,462
Total current assets	42,404	40,065	–	2,412	21,079	16,399
Non-current assets	22,708	20,296	–	–	5,439	4,910
Total current liabilities	(52,290)	(53,108)	–	–	(9,640)	(9,186)
Total non-current liabilities	(7,144)	(1,719)	–	–	(1,906)	(33)
Net assets	5,678	5,534	–	2,412	14,972	12,090
Reconciliation to carrying amounts						
Opening net assets	5,534	5,066	2,412	2,610	12,090	–
Acquisitions	–	–	–	–	–	10,492
Profit for the period	1,128	1,066	5,034	9,364	2,782	1,642
Dividends paid	(1,060)	(526)	(7,482)	(9,464)	–	–
Exchange adjustments	76	(72)	36	(98)	100	(44)
Closing net assets	5,678	5,534	–	2,412	14,972	12,090
Group's share – %	50%	50%	50%	50%	50%	50%
Group's share – £k	2,839	2,767	–	1,206	7,486	6,045
Summarised statement of comprehensive income						
Revenue	254,948	253,287	7,561	13,501	54,997	43,327
Depreciation and amortisation	(4,675)	(4,483)	–	–	(1,299)	(997)
Net finance costs	(296)	(334)	–	–	(145)	(119)
Income tax expense	(343)	(323)	(2,266)	(4,048)	(917)	(561)
Profit for the period	1,128	1,066	5,034	9,364	2,782	1,642
Dividends received from joint venture entity	530	263	3,741	4,732	–	–

The Group also has an interest in one other individually immaterial joint venture.

Individually immaterial joint ventures:	2020 £'000	2019 £'000
Aggregate carrying amount of individually immaterial joint venture	2,297	1,740
Aggregate Group share of profit for the year	557	370

Notes to the financial statements
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16 Investments continued

Non-controlling interests

Set out below is summarised financial information for Hilton Foods Holland BV, the only Group subsidiary with a non-controlling interest that is considered to be material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	Hilton Meats Holland BV 2020 £'000	 2019 £'000
Current assets	75,994	70,319
Current liabilities	(54,525)	(52,806)
Current net assets	21,469	17,513
Non-current assets	5,319	6,365
Non-current liabilities	(436)	(621)
Non-current net assets	4,883	5,744
Net assets	26,352	23,257
Accumulated non-controlling interests	5,270	4,576
Summarised statement of comprehensive income		
Revenue	301,677	281,807
Profit for the period	7,685	6,656
Other comprehensive income/expense	1,587	(1,480)
Total comprehensive income	9,272	5,176
Profit allocated to non-controlling interests	1,537	1,331
Dividends paid to non-controlling interests	1,164	1,194
Summarised cash flows		
Cash flows from operating activities	13,371	9,237
Cash flows from investing activities	(9,213)	(748)
Cash flows from financing activities	(7,752)	(7,416)
Impact of foreign exchange	1,268	(1,389)
Net decrease in cash and cash equivalents	(2,326)	(316)

There were no transactions with non-controlling interest in the current or prior year.

Investments in subsidiaries

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

Company	2020 £'000	2019 £'000
At 29 December 2019 and 3 January 2021	157,221	157,221

The subsidiary undertakings of the Group are:

Subsidiary undertakings	Registered address	Country	Share class	(%) Proportion of shares held by Parent	Group
Hilton Foods Asia Pacific Limited		UK	£1 Ordinary	–	100
Hilton Food Solutions Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	55
Hilton Alternative Protein UK Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
Seachill UK Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
Coldwater Seafood UK Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
Icelandic UK Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
Seachill Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
SV Cuisine Ltd (formerly HFR Food Solutions Ltd)	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
			£1 Preference	–	100
Hilton Foods Limited	Carson McDowell LLP, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN	UK	£1 Ordinary	100	100
Hilton Foods UK Limited	Carson McDowell LLP, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN	UK	£1 Ordinary	–	100
Hilton Meats Holland Limited	Carson McDowell LLP, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN	UK	£1 Ordinary	–	80
Hilton Food Group (Europe) Limited	Carson McDowell LLP, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN	UK	£1 Ordinary	–	100
Hilton Food.com Limited	Carson McDowell LLP, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN	UK	£1 Ordinary	–	100
Hilton Foods Holland BV	Grote Tocht 31, 1507 CG Zaandam	Netherlands	€1,000 Ordinary	–	80
Hilton Food Solutions Holland BV	Grote Tocht 31, 1507 CG Zaandam	Netherlands	€1 Ordinary	–	55
Hilton Foods (Ireland) Limited	Termonfeckin Road, Drogheda, Co Louth	Ireland	€1 Ordinary	–	100
HFG Sverige AB	Saltangsvagen 53, 721 32 Vasteras	Sweden	SEK 2,500 Ordinary	–	100
Hilton Foods Danmark A/S	Brunagervej 4, Kolt, 8361 Hasselager	Denmark	DKK 100 Ordinary	–	100
Hilton Foods Ltd Sp z o.o.	Ul Strefowa 31, 43-100 Tychy	Poland	PLN 500 Ordinary	–	100
Hilton Foods Belgium BV	Rue Breydel 36, 1040 Brussels	Belgium	€1 Ordinary	–	100
Hilton Foods Australia Pty Limited	267 Dohertys Road, Truganina, VIC 3029	Australia	AUD 1 Ordinary	–	100
Hilton Food Solutions Australasia Pty Limited	267 Dohertys Road, Truganina, VIC 3029	Australia	AUD 1 Ordinary	–	55
Hilton Foods New Zealand Limited	Simpson Grierson, 88 Shortland St, Auckland 1010	New Zealand	NZD 1 Ordinary	–	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.

Notes to the financial statements continued

17 Business combinations

On 28 February 2019 the Group completed the acquisition of SV Cuisine Limited (formerly HFR Food Solutions Limited) a sous vide manufacturer based in the UK.

The Group acquired 100% of the share capital for consideration of £100 in cash, with deferred consideration, the value of which is dependent on future performance of the business payable three years after completion.

	£'000
Property, plant and equipment	850
Lease: Right-of-use asset	232
Customer relationships	653
Inventories	1,370
Trade and other receivables	85
Cash and cash equivalents	591
Trade and other payables	(2,954)
Lease liabilities	(174)
Deferred tax	(124)
Goodwill	2,789
Fair value of assets acquired	3,318
Consideration:	
Payable on completion	–
Estimated value of deferred consideration at acquisition date	3,318
Total	3,318

The above reflects the final assessment of fair value.

Goodwill has arisen and mainly relates to the strategic benefits for Hilton, of diversifying its product portfolio into the sous vide market.

Deferred consideration payable is calculated based on a multiple of SV Cuisine's average post-acquisition EBITDA, for a period of three years to February 2022, adjusted for working capital, cash and debt levels.

The fair value of deferred consideration payable is re-measured at each reporting date and the assessment is based on the Group's best estimate of post-acquisition performance and cash flows. The fair value of deferred consideration at 3rd January 2021 has been assessed to be £3,318,000 (2019: £3,318,000).

IFRS 13 requires that financial assets and liabilities measured at fair value are classified within a three level hierarchy determined with reference to the source of inputs used to derive their fair value. The deferred consideration liability would fall within Level 3 of this hierarchy as its fair value is determined using inputs which have a significant effect on the recorded fair value that are not based on observable market data.

18 Inventories

Group	2020 £'000	2019 £'000
Raw materials and consumables	99,495	74,581
Finished goods and goods for resale	17,446	16,756
	116,941	91,337

The cost of inventories recognised as an expense and included in cost of sales amounted to £2,263,918,000 (2019: £1,440,326,000). The Group charged £2,904,000 in respect of inventory write-downs (2019: £702,000). The amount charged has been included in cost of sales in the income statement.

19 Trade and other receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables	170,534	186,261	–	–
Less: provision for impairment of trade receivables	(369)	(569)	–	–
Trade receivables – net	170,165	185,692	–	–
Amounts owed by Group undertakings	–	–	14,272	10,272
Amounts owed by related parties (see note 29)	690	465	–	–
Other receivables	16,924	19,528	–	–
Prepayments	11,863	9,588	–	–
	199,642	215,273	14,272	10,272
Less: Non-current other receivables	–	(662)	–	–
	199,642	214,611	14,272	10,272

Amounts owed by Group undertaking to the Company are unsecured interest free and repayable on demand.

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

Currency	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
UK Pound	38,426	56,570	14,272	10,272
Euro	57,422	46,195	–	–
Swedish Krona	21,640	13,854	–	–
Danish Krone	27,077	24,303	–	–
Polish Zloty	4,530	8,045	–	–
Australian Dollar	46,403	65,711	–	–
New Zealand Dollar	4,144	595	–	–
	199,642	215,273	14,272	10,272

The Group have performed an assessment of the expected credit losses across the portfolio of trade receivables and contract assets. In determining the expected credit loss, the Group has given due consideration to the historic credit losses arising in prior years and of current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

To measure the expected credit loss, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Group has concluded that the expected credit loss results in a provision being recognised of £369,000 (2019: £569,000).

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

Group	2020 £'000	2019 £'000
At the beginning of the year	569	349
Provision for receivables impairment	53	340
Receivables impairment released	(8)	–
Receivables written off during the year as uncollectable	(245)	(120)
At the end of year	369	569

Notes to the financial statements
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20 Cash and cash equivalents

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash at bank and on hand	123,816	110,514	190	122

21 Borrowings

Group	2020 £'000	2019 £'000
Current		
Bank borrowings	39,759	21,969
Non-current		
Bank borrowings	206,228	175,370
Total borrowings	245,987	197,339

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	2020 £'000	2019 £'000
UK Pound	66,142	68,244
Euro	21,217	25,728
Danish Kroner	851	–
Polish Zloty	6,560	7,502
Australian Dollar	120,667	85,614
New Zealand Dollar	30,550	10,251
	245,987	197,339

Bank borrowings are repayable in quarterly instalments from 2019 – 2022 with interest charged at LIBOR (or equivalent benchmark rates) plus 1.3% – 1.6%. Bank borrowings are subject to joint and several guarantees from each active Group undertaking.

The Group has undrawn committed loan facilities of £51.5m (2019: £71.1m) with the loan facilities expiring in 2022.

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

Group net debt of £123,366,000 (2019: net debt of £88,247,000) comprises borrowings, noted above, of £245,987,000 (2019: £197,339,000) cash and cash equivalents of £123,816,000 (2019: £110,514,000), and finance leases previously recognised under IAS 17 of £1,195,000 (2019: £1,422,000). Including total lease liabilities Group net debt is £367,416,000 (2019: £271,458,000).

22 Trade and other payables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	263,938	272,433	–	–
Amounts owed to related parties (see note 29)	208	66	–	–
Social security and other taxes	7,496	6,677	–	–
Accruals	60,712	42,595	–	–
	332,354	321,771	–	–

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

23 Deferred income tax

Group	Accelerated capital allowances £'000	Acquired intangible assets £'000	IFRS 16 Leases £'000	Other timing differences £'000	Total £'000
At 31 December 2018	(1,581)	(3,641)	–	771	(4,451)
Exchange differences	52	–	–	–	52
Acquisition (note 17)	–	(124)	–	–	(124)
Income statement credit	444	463	1,612	79	2,598
Adjustment in respect of employee share schemes	–	–	–	79	79
At 29 December 2019	(1,085)	(3,302)	1,612	929	(1,846)
Exchange differences	200	–	–	–	200
Income statement credit	4,189	465	963	–	5,617
Adjustment in respect of employee share schemes	–	–	–	(136)	(136)
At 3 January 2021	3,304	(2,837)	2,575	793	3,835

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

Group	2020 £'000	2019 £'000
Deferred tax liabilities	(2,384)	(4,116)
Deferred tax assets	6,219	2,270
	3,835	(1,846)

Other timing differences principally relate to share-based payments. The deferred income tax liability above includes £253,000 (2019: £423,000) which is estimated to reverse within 12 months. The deferred income tax asset above is not expected to reverse within 12 months.

24 Ordinary shares

		Group		Company	
	Number of shares (thousands)	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Issued and fully paid ordinary shares of 10p each					
At 30 December 2019/31 December 2018	81,725	8,173	8,160	8,173	8,160
Issue of new shares relating to employee incentive schemes	214	21	13	21	13
At 3 January 2021/29 December 2019	81,939	8,194	8,173	8,194	8,173

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

Notes to the financial statements
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25 Share-based payment

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 (EPS) compound growth target. An additional performance measure for total shareholder return (TSR) was introduced during the year, whereby 70% of the award is based on EPS performance and 30% is based on TSR.

Awards will vest on a sliding scale as follows:

- EPS – 10% 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%-15% per year
- TSR – 10% median performance against the constituents of the FTSE 250 (excluding investment trusts) increasing to full vesting for this part of an award for upper quartile performance

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 weighted exercise price are as follows:

	Sharesave		Long Term Incentive	
	Options ('000)	Exercise price (pence)	Options ('000)	Exercise price (pence)
At 31 December 2018	699	722.59	1,449	–
Granted	243	950.00	463	–
Exercised	(127)	501.30	(333)	–
Lapsed	(65)	775.28	(106)	–
At 29 December 2019	750	813.56	1,473	–
Granted	260	1,228.00	419	–
Exercised	(214)	648.25	(192)	–
Lapsed	(56)	918.00	(250)	–
At 3 January 2021	740	998.99	1,450	–

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)	2020 ('000)	2019 ('000)
December 2019	Sharesave	Exercisable	496.25	–	1
December 2020	Sharesave	Exercisable	645.50	3	219
December 2021	Sharesave	Not exercisable	830.00	267	293
February 2023	Sharesave	Not exercisable	950.00	221	237
February 2024	Sharesave	Not exercisable	1228.00	249	–
April 2024	Long Term Incentive Plan	Exercisable	nil cost	21	56
April 2025	Long Term Incentive Plan	Exercisable	nil cost	88	88
April 2026	Long Term Incentive Plan	Exercisable	nil cost	99	106
April 2027	Long Term Incentive Plan	Exercisable	nil cost	113	399
May/July 2028	Long Term Incentive Plan	Not exercisable	nil cost	359	374
May 2029	Long Term Incentive Plan	Not exercisable	nil cost	404	450
Sep 2030	Long Term Incentive Plan	Not exercisable	nil cost	366	–
Total				2,190	2,223

The fair value of options granted during 2020 determined using the Black-Scholes valuation model ranged from 191p to 1141p per option. The significant inputs into the model were the exercise price shown above, volatility of 33% based on a comparison of similar listed companies, dividend yield of 1.86%, an expected option life of 2.26 years, and an annual risk-free interest rate of -0.09%. See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

26 Cash generated from operations

Group	2020 £'000	2019 £'000
Profit before income tax	54,028	43,156
Finance costs – net	12,839	12,613
Operating profit	66,867	55,769
Adjustments for non-cash items:		
Share of post tax profits of joint venture	(5,029)	(6,406)
Depreciation of property, plant and equipment	37,298	23,801
Depreciation of leased assets	18,350	19,000
Amortisation of intangible assets	2,753	2,621
Amortisation of contract assets – charged to revenue	1,197	1,273
Gain on disposal of non-current assets	(40)	(22)
Adjustment in respect of employee share schemes	2,120	(1,445)
Changes in working capital:		
Inventories	(23,212)	(9,494)
Trade and other receivables	22,995	(51,010)
Trade and other payables	(2,528)	56,289
Cash generated from operations	120,771	90,376

The parent company has no operating cash flows.

27 Analysis and movement in net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2020 £'000	2019 £'000
Cash and cash equivalents	123,816	110,514
Borrowings (including overdrafts)	(245,987)	(197,339)
Net bank debt	(122,171)	(86,825)
Lease liabilities	(245,245)	(184,633)
Net debt	(367,416)	(271,458)

Net debt reconciliation	Cash/other financial assets £'000	Borrowings (including overdrafts) £'000	Net bank debt £'000	Lease liabilities £'000	Net debt £'000
At 31 December 2018	88,047	(113,041)	(24,994)	(142,948)	(167,942)
Cash flows	25,088	8,311	33,399	20,436	53,835
New borrowings	–	(95,596)	(95,596)	(69,689)	(165,285)
Exchange adjustments	(2,621)	2,987	366	6,091	6,457
Other changes	–	–	–	1,477	1,477
At 29 December 2019	110,514	(197,339)	(86,825)	(184,633)	(271,458)
Cash flows	10,480	48,908	59,388	52,267	111,655
New borrowings	–	(92,563)	(92,563)	(99,925)	(192,488)
Exchange adjustments	2,822	(4,993)	(2,171)	(11,309)	(13,480)
Other changes	–	–	–	(1,645)	(1,645)
At 3 January 2021	123,816	(245,987)	(122,171)	(245,245)	(367,416)

Lease cash flows include £37,223,000 (2019: £5,660,000) paid in respect of lease purchase obligations in the year.

Notes to the financial statements
continued

28 Commitments

Capital commitments

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Property, plant and equipment	32,340	32,793	–	–

In addition to the above, lease liabilities due in less than one year include £nil (2019: £37.5m) of commitments to purchase leased plant and machinery subject to lease purchase options that the Group are reasonably certain to exercise.

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

Group sales	2020 £'000	2019 £'000
Sohi Meat Solutions Distribuicao de Carnes SA – fee for services	3,351	3,246
Sohi Meat Solutions Distribuicao de Carnes SA – recharge of joint venture costs	368	352
Dalco B.V.	313	117
Foods Connected Limited	3	–

Group purchases	2020 £'000	2019 £'000
Foods Connected Limited	351	340

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

	Owed from related parties	
Group	2020 £'000	2019 £'000
Foods Connected Limited	15	–
Sohi Meat Solutions Distribuicao de Carnes SA	393	348
Dalco B.V.	282	117
	690	465

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

	Owed to related parties	
	2020 £'000	2019 £'000
Foods Connected Limited	85	66
Dalco B.V.	123	–
	208	66

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

Company	2020 £'000	2019 £'000
Hilton Foods Limited – dividend received	21,000	27,200

At the year end £14,272,000 was owed by Hilton Foods Limited (2019: £10,272,000).

Details of key management compensation are given in note 8.

30 Financial instruments by category

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

Group	Financial assets at amortised cost 2020 £'000	2019 £'000
Assets as per balance sheet		
Trade and other receivables	187,779	205,685

Group	Financial liabilities at amortised cost 2020 £'000	2019 £'000
Liabilities as per balance sheet		
Trade and other payables	324,858	315,094
Borrowings	245,987	197,339
Lease liabilities	245,245	184,633
	816,090	697,066

In addition to the above, amounts owed to the Company by Group undertakings of £14,272,000 (2019: £10,272,000) are classified as 'financial assets at amortised cost'.

31 Alternative performance measures

The Group's performance is assessed using a number of alternative performance measures (APMs).

The Group's alternative profitability measures are presented before exceptional items, amortisation of certain intangible assets acquired through business combinations and the impact of IFRS 16 – Leases.

The measures are presented on this basis, as management believe they provide useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next.

Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement below.

53 weeks ended 3 January 2021

	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported – excl IFRS 16 £'000	Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Operating profit	66,867	18,163	(20,451)	64,579	2,449	67,028
Net finance costs	(12,839)	6,874	–	(5,965)	–	(5,965)
Profit before income tax	54,028	25,037	(20,451)	58,614	2,449	61,063
Profit for the period	42,040	24,074	(20,451)	45,663	1,984	47,647
Less non-controlling interest	(2,304)	(382)	387	(2,299)	–	(2,299)
Profit attributable to members of the parent	39,736	23,692	(20,064)	43,364	1,984	45,348
Depreciation and amortisation	59,558	(18,163)	–	41,395	(2,449)	38,946
EBITDA	126,425	–	(20,451)	105,974	–	105,974
Earnings per share	pence			pence		pence
Basic	48.6			53.0		55.4
Diluted	47.9			52.3		54.7

Notes to the financial statements continued

31 Alternative performance measures continued

52 weeks ended 29 December 2019

	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported excluding IFRS 16 £'000	Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Operating profit	55,769	18,820	(22,315)	52,274	2,438	54,712
Net finance costs	(12,613)	7,641	–	(4,972)	–	(4,972)
Profit before income tax	43,156	26,461	(22,315)	47,302	2,438	49,740
Profit for the period	35,160	24,849	(22,315)	37,694	1,975	39,669
Less non-controlling interests	(2,095)	(370)	364	(2,101)	–	(2,101)
Profit attributable to members of the parent	33,065	24,479	(21,951)	35,593	1,975	37,568
Depreciation and amortisation	46,673	(18,820)	–	27,853	(2,438)	25,415
EBITDA	102,442	–	(22,315)	80,127	–	80,127
Earnings per share	pence			pence		pence
Basic	40.5			43.6		46.0
Diluted	40.1			43.1		45.5

The depreciation and amortisation figure includes £1,197,000 (2019: £1,273,000) amortisation of contract assets charged to revenue and adds back a gain on disposal of £40,000 (2019: £22,000).

Segmental operating profit reconciles to adjusted segmental operating profit as follows:

53 weeks ended 3 January 2021

	Reported £'000	Add back: IFRS 16 Depreciation £'000	Less: IAS 17 Lease accounting costs £'000	Reported excluding IFRS 16 £'000	Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Europe	60,538	5,757	(6,163)	60,132	2,449	62,581
Australasia	19,091	12,406	(14,288)	17,209	–	17,209
Central costs	(12,762)	–	–	(12,762)	–	(12,762)
Total	66,867	18,163	(20,451)	64,579	2,449	67,028

52 weeks ended 29 December 2019

	Reported £'000	Add back: IFRS 16 Depreciation £'000	Less: IAS 17 Lease accounting costs £'000	Reported excluding IFRS 16 £'000	Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Europe	53,039	5,872	(6,116)	52,795	2,438	55,233
Australasia	12,840	12,948	(16,199)	9,589	–	9,589
Central costs	(10,110)	–	–	(10,110)	–	(10,110)
Total	55,769	18,820	(22,315)	52,274	2,438	54,712

In the prior year, Western and Central Europe were presented as separate segments, however these have now been combined into a single European segment. 2019 segmental information has been restated to show the combined segment.

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