



25<sup>th</sup> March 2015

## Hilton Food Group plc

### A year of investment for future growth

#### Highlights

Hilton Food Group plc, the specialist retail meat packing business supplying major international food retailers in thirteen European countries and Australia, today announces its preliminary results for the 52 weeks ended 28 December 2014.

#### Financial highlights

	<b>2014</b> 52 weeks to 28 December 2014	<b>2013</b> 52 weeks to 29 December 2013	<b>Change</b>
<b>Volume (tonnes)</b>	<b>231,504</b>	<b>223,568</b>	<b>+3.5%</b>
<b>Revenue</b>	<b>£1,099.0m</b>	<b>£1,124.8m</b>	<b>-2.3%</b>
<b>Operating profit</b>	<b>£26.1m</b>	<b>£25.8m</b>	<b>+1.1%</b>
<b>Profit before tax</b>	<b>£25.2m</b>	<b>£24.9m</b>	<b>+1.3%</b>
<b>Basic earnings per share</b>	<b>25.0p</b>	<b>25.0p</b>	
<b>Investment expenditure</b>	<b>£43.3m</b>	<b>£18.4m</b>	<b>+135.8%</b>
<b>Closing net (debt)/cash</b>	<b>£(7.7)m</b>	<b>£4.9m</b>	
<b>Dividends paid and proposed in respect of the year</b>	<b>13.3p</b>	<b>12.75p</b>	<b>+4.3%</b>

#### Strategic highlights

- Our joint venture with Woolworths Limited in Australia is performing well. The conversion of the Bunbury site in Western Australia to substantially increase retail packed meat production was successfully completed in the first half of 2014.
- Construction of a new dedicated retail packed meat facility, near Melbourne in Victoria, to be operated by our joint venture with Woolworths is on schedule to commence production in the third quarter of 2015.

- Investment to modernise and expand the capacity of the Group's Huntingdon site in the UK and service increased volumes for Tesco is well advanced, with the new production facilities fully commissioned.

## Operating highlights

- Volume growth of 3.5%, with growth in the UK and Holland partly offset by continuing pressure on consumer spending in other countries.
- Revenue reduced by 2.3%, reflecting both the impact of unfavourable movements in exchange translation of 4.6%, with Sterling appreciating materially against all the overseas currencies in which the Group trades, and of lower raw material meat prices flowing through into reduced selling prices.
- Operating profit at £26.1m ahead of last year (2013: £25.8m) despite an increased level of start-up costs in the UK and the impact of unfavourable movements in exchange translation.
- Substantially higher investment in the year at £43.3m (2013: £18.4m) covering major re-investment programmes in the UK and Sweden.
- A free cash outflow of £2.1m (compared to an inflow of £17.0m in 2013) reflecting the £24.9m increase in the level of investment expenditure, with net debt at £7.7m at the year end.
- A strong balance sheet providing a solid platform both for future expansion and a progressive dividend policy.

### **Commenting, Robert Watson OBE, Chief Executive said:**

*"I am pleased to report that during 2014 Hilton made sound progress in underpinning its future growth strategy, including the continued development of our Australian joint venture and the major UK capacity expansion. The high level of investment made in our meat packing facilities in 2014 was essential to facilitate the Group's planned future growth. We will continue to seek out available opportunities to progressively and profitably expand the scale and scope of our operations, employing a business model that remains resilient, relevant and internationally transferable."*

### **Enquiries**

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# Chairman's introduction

## Strategic progress achieved in 2014

The Group made continued strategic progress during the year. The initial task of the joint venture with Woolworths in Australia was the conversion of Woolworths' existing meat processing facility at Bunbury in Western Australia in order to substantially increase production of retail packed product lines. This was completed as planned in early 2014, with the new product lines being well received by the local market.

The construction of a new meat processing facility for Woolworths near Melbourne in Victoria, which will be operated by our joint venture company, remains on schedule, with production currently targeted to commence in the third quarter of 2015. This represents a major milestone in the continuing development of our joint venture.

Having announced last year a long term supply agreement with Tesco for the UK, under which the volumes supplied by Hilton are planned to increase substantially, a major investment program was undertaken at the Group's UK site in Huntingdon during 2014. This involved both a material extension of the site's processing and packing capacity, the addition of a further production unit and the streamlining and modernization of the complete facility. The level of start-up costs involved in executing this complex project around a live production environment was higher than initially expected, but the project is now well advanced with the new production facilities fully commissioned.

## Board composition

The Board is responsible for the long term success of the Group and to achieve this it contains an appropriate mix of skills and depth of practical business experience, which is available to support and guide our management teams across a wide range of countries. There have been no changes in Board membership during 2014 and I would like to take this opportunity to thank my colleagues on the Board for their continued support, sound counsel and expertise.

## Group performance and dividend policy

Further volume growth was achieved during 2014, despite challenging market conditions. Notwithstanding the higher than expected start-up costs incurred in connection with the Huntingdon redevelopment and the material impact of adverse exchange translation movements, continued profit progress was achieved in 2014.

The Group's net income in 2014 at £18.1m was slightly higher than in 2013 (£17.8m) with basic earnings per share at 25.0p in line with last year. Hilton has continued to generate significant cash flow during 2014 which enabled the Group to keep net borrowings at modest levels, despite a £24.9m increase in the level of investment expenditure.

During 2014 we made major new investments to secure the Group's future growth potential. The principal items of expenditure involved the redevelopment of the Group's facilities in Huntingdon to enable the planned UK volume increases for Tesco and a re-investment programme at Vasteras in Sweden to replace production lines at the end of their economic life with state of the art equipment designed to achieve higher line speeds, reduced manning requirements and reduced unit packing costs.

The Group has maintained a progressive dividend policy since flotation and the Board considers that this remains appropriate given both the continued strategic progress achieved in 2014 and Hilton's continuing level of cash generation. The 4.4% increase proposed in the final dividend for 2014 will increase the total dividends paid in respect of 2014 by 4.3%, as compared to last year.

## Annual General Meeting

This year's AGM will be held at the Old Bridge Hotel, 1 High Street, Huntingdon, Cambridgeshire PE29 3TQ on 12 May 2015 at noon and my colleagues and I very much look forward to seeing many of you there.

**Sir David Naish DL**  
Non-Executive Chairman  
24 March 2015

# Chief Executive's summary

## Business model

Our business model is simple and straightforward. We operate large scale, highly mechanised, extensively automated and robotised meat processing and packing facilities for major international multiple retailers on a dedicated basis. The one exception is in Central Europe, where our facility in Poland supplies three multiple retailers in order to achieve critical mass, in terms of volumes supplied and the consequent ability to achieve competitive unit packing costs.

Raw material meat is sourced, in conjunction with our retail partners, from a wide international base of proven suppliers. It is then processed, packed and delivered to the retailer's distribution centres. Our plants are highly automated and use advanced robotics for the storage of raw materials and finished products. This developing 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.

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

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

To ensure our continued competitiveness, we seek to keep ourselves at the forefront of the meat packing industry. We constantly seek to drive further efficiencies, with a pipeline of clear identifiable cost initiatives and a willingness to continually challenge the status quo. We consider our modern, very well invested facilities to be a key factor in keeping unit packing costs as low as possible. Over the decade to December 2014 we have invested continuously across all areas of our business, including the sourcing of raw materials, the design of packaging materials, increased efficiency in processing and storage solutions and updating our IT infrastructure. Capital expenditure over this period has totalled nearly £200m.

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

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

## Strategy and objectives

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

Hilton builds long term customer and shareholder value by focusing on:

- Growing volumes and extending product ranges supplied and services provided to existing customers;
- Optimising the use of our assets and investing in new technology;
- Maintaining an uncompromising focus on food safety and integrity and reducing unit costs while improving product quality and service provision; and
- Entering new territories either with new customers or in partnership with our existing customers.

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

## Geographical footprint

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

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

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

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

In 2014 66% of the Group's turnover was earned in countries outside the United Kingdom, together with 75% of the volumes of meat delivered. These percentages have declined since last year reflecting the increase achieved in sales in the UK during 2014.

The wide geographical spread increases the Group's resilience by minimising its dependence on the fortunes of any one individual economy, but makes its results reported in Sterling sensitive to changes in the value of Sterling as compared to the range of overseas currencies in which the Group trades. During 2014 Sterling strengthened materially against all the other currencies in which the Group trades, expressed as an average for the year as follows:

Euro +5.3%

Danish Krone +5.3%

Swedish Krona +10.8%

Polish Zloty +5.0%

Australian Dollar +12.6%

## **People**

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

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

The Group currently employs 2,541 employees, in six European countries. Our business model is, as previously described, largely decentralised, with capable, largely self-sufficient management teams running our businesses in each local country. We consider this devolved structure to be essential, as it achieves very close working relationships with our customers, who benefit from dedicated, flexible and rapid local support.

The Board fully understands and appreciates just how much our progress relies on the effort, personal commitment, enthusiasm, enterprise and initiative of our employees. I would like to take this opportunity, on behalf of the Board, to personally thank all of them both for their dedicated efforts during 2014 and their continuing commitment to the Group's on-going growth and development.

## **Business development**

Our business comprises three separate operating segments:

### **Western Europe**

Operating profit of £27.1m (2013: £27.9m) on turnover of £1,016.8m (2013: £1,028.7m)

This operating segment covers the Group's businesses in the UK, Ireland, Holland, Sweden and Denmark. Volume growth of 5.5% was achieved in 2014, reflecting volume growth in the UK and Holland, driven respectively by gaining an increased share of our customers' business with expanded meat packing capacity and the introduction of new product lines. Volumes in Ireland and Denmark were reduced with consumer spending remaining under continuing pressure whereas in Sweden volumes remained relatively steady. Turnover declined by 1.2% reflecting the impact of adverse exchange translation movements and lower raw material meat prices resulting in reduced selling prices.

The robotic store order picking facility for Coop Danmark which handles, in addition to our own production, a range of third party Coop products such as poultry, has continued to build volumes. Services such as this, which enable us to manage the meat supply chain more efficiently from raw material procurement to store delivery, represent an important addition to our supply chain optimisation offering. A facility of this type is being incorporated into the new Melbourne meat packing facility for Woolworths due to commence production in the third quarter of 2015.

The redevelopment of the Huntingdon site was a complex project involving the re-equipment and re-alignment of the site and the addition of a further production area whilst working around a live production environment with the highest customer service levels needing to be maintained throughout the process. Similarly the re-equipment of the Vasteras site in Sweden has faced the same challenges. Although the level of start-up and disturbance costs at Huntingdon has been higher than had previously been expected, both projects have been executed successfully.

### **Central Europe**

Operating profit of £2.4m (2013: £2.5m) on turnover of £82.2m (2013: £96.1m)

In Central Europe the Group's meat packing business, based at Tychy in Poland, supplies three customer groups across Central Europe, from Hungary to the Baltics. In 2014 this multi-customer business supplied Ahold stores in Czech Republic and Slovakia, Tesco stores in Hungary, Czech Republic, Poland and Slovakia and Rimi stores in Latvia, Lithuania and Estonia. In very competitive market conditions volumes declined by 6.8% in 2014, and, reflecting the impact of lower raw material meat prices and unfavourable exchange rate movements, turnover decreased by 14.5%.

The resumption in due course of volume growth combined with an unremitting focus on cost control remain the keys to achieving the very low levels of unit packing costs required for our customers to be able to compete strongly and grow in these very competitive developing markets.

### **Central costs and other**

Net operating cost £3.4m (2013: £4.6m)

This segment includes our share of the management fee earned by our joint venture with Woolworths of £1.3m (2013: £0.5m), start-up costs in connection with the joint venture of £0.9m (2013: £1.4m) and central costs of £3.8m (2013: £3.7m).

In Australia the Group is involved in a joint venture with Woolworths, under which it earns a fifty per cent share of the agreed management fees charged by the joint venture company for operating certain Woolworths' meat processing and packing plants, based on the volume of retail packed meat delivered to Woolworths' stores.

The joint venture company is currently responsible for the operation of Woolworths' Western Australian meat processing centre in Bunbury the conversion of which has enabled a substantial increase in retail packed meat production. This was completed in the early months of 2014. The building of a purpose built retail packing facility near Melbourne in Victoria which will be operated by the joint venture company is on schedule and expected to commence production in the third quarter of 2015.

## **Key past and anticipated future trends**

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

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

Within retail markets patterns are also changing fairly rapidly, with increased internet based ordering and a growth in the number of "click and collect" facilities. Following pressures on consumer expenditure over a number of years there has been increased use by cost conscious consumers of local convenience stores and discount outlets, to shop more frequently for a reduced overall basket cost per visit. These developments which may be structural rather than cyclical will all tend to reinforce the overall trend towards retail packed meat, as this is the meat offering in all these growth areas. However they do pose logistical challenges and opportunities for the retailers, given the increasing need to be able to deliver smaller drop sizes on a cost efficient basis.

## **Current trading and outlook**

With the completion of the capacity expansion and site redevelopment investment at Huntingdon in the UK and the planned start of production with our Australian joint venture partner near Melbourne in the third quarter of the year, Hilton's medium term growth prospects remain encouraging. The shorter term economic outlook in our European markets continues, however, to be challenging with consumer spending likely to remain constrained, despite a slightly better overall economic outlook in some countries aided in part by recently reduced oil prices.

During 2014 Sterling appreciated against all the currencies in which the Group trades. It has strengthened further in the early months of 2015 and, whilst future currency movements are inevitably difficult to forecast, they can have a material translational impact on the Group's profit performance expressed in Sterling, with over two thirds of Hilton's operating profit being earned in currencies other than Sterling.

In the early months of 2015 Hilton's operating performance has been in line with the Board's expectations. The Group's business model has proved resilient over recent difficult trading conditions and the Board expects to make continued progress.

**Robert Watson OBE**  
Chief Executive Officer  
24 March 2015



# Performance and financial review

## Financial review

Hilton's financial performance was robust in 2014, despite head winds from adverse currency movements, higher than expected start-up costs and a continued challenging economic environment across Europe. Substantial capital investment was made during 2014 at the Group's Huntingdon and Vasteras sites to increase capacity and cost efficiency. Despite investing £43.3m in the year, principally at these two facilities, year-end debt was restricted to a modest level. These investments, together with a continuing strong cash flow, leave the Group well placed to deliver future growth. This performance and financial review covers the main highlights of the Group's financial performance and position in 2014.

## Basis of preparation

The Group is presenting its results for the 52 week period ended 28 December 2014, with comparative information for the 52 week period ended 29 December 2013. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

## 2014 Financial performance

### Revenue

Volumes grew overall by 3.5% with strong volume increases in the UK and Holland offset by volume reductions in Ireland, Denmark and Central Europe in difficult trading conditions. Further details of volume growth by business segment are set out in the Chief executive's summary. Revenue fell by 2.3% to £1,099.0m, as compared to £1,124.8m in 2013, reflecting unfavourable exchange rate movements and the effect of lower raw material prices on selling prices.

### Operating profit and margin

Operating profit, at £26.1m was above the previous year's level (2013: £25.8m) after bearing increased start-up costs incurred in the UK and the impact of adverse exchange translation movements. The operating profit margin in 2014 was 2.4%, as compared with 2.3% in 2013, reflecting both the higher operating profit level and the impact of lower raw material meat prices, which do not under all Hilton's pricing arrangements give rise to a corresponding margin decrease. Operating profit per kilogram of packed meat sold was 11.3p (11.5p in 2013).

### Net finance costs

With careful cash management, net finance costs, at £0.9m, were in line with the previous year's level (2013: £0.9m) despite the increase in debt levels over the second part of the year. Interest rates paid have remained at historically low levels, reflecting continuing low LIBOR and other Interbank rates, which determine the interest rates on the Group's principal borrowings. Interest cover in 2014 increased marginally to 30 times, as compared with 29 times in 2013.

### Taxation

The taxation charge for the period was £5.6m (2013: £5.5m). This represented an effective taxation rate of 22.4% (2013: 22.2%) reflecting the fact that a lower proportion of the Group's overall taxable profits were earned in low corporate tax regimes such as those of Ireland and Poland.

## **Profit for the year**

Profit for the year, at £19.6m, (2013: £19.4m) was slightly higher than last year reflecting the increase in operating profit partly offset by a slightly higher effective rate of taxation.

## **Earnings per share**

Basic earnings per share at 25.0p (2013: 25.0p) were in line with last year, with a 1.4% increase in the level of net income being fully offset by the dilutive effect of an increased number of shares in issue, following the exercise of executive and all employee share options. Diluted earnings per share were 24.7p (2013: 24.8p).

## **Free cash flow and net borrowing levels**

Cash flow remained strong in 2014, with the Group incurring a £2.1m free cash out flow before dividends and financing, after incurring capital expenditure of £43.3m. This represented an inflow reduction of £19.1m as compared with last year, after an increase in capital expenditure levels of £24.9m. Group borrowings were £43.3m at the end of 2014 and, with net cash balances of £35.6m, this resulted in a closing net debt position of £7.7m, as compared with a net cash level of £4.9m at the end of 2013. At the end of 2014 the Group had undrawn overdraft and loan facilities of £46.5m (2013: £18.3m).

Despite the major strategic investments made in 2014, the Group had modest gearing at the end of 2014, with a net debt to EBITDA ratio of 18%; this strong financial position gives the Group considerable flexibility for potential future expansion.

## **Dividends**

The Board aims to maintain a dividend policy that provides a dividend level that grows broadly in line with the underlying earnings of the Group and has recommended a final dividend of 9.5p per ordinary share in respect of 2014. This, together with the interim dividend of 3.8p per ordinary share paid in November 2014, represents a 4.3% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 26 June 2015 to shareholders on the register on 29 May 2015 and the shares will be ex dividend on 28 May 2015.

## 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 “KPI’s” to measure the Group’s performance over time in building shareholder value and achieving the Group’s strategic objectives. The nine headline “KPI’s” used by the Board for this purpose, together with our performance over the last two years, is set out below:

<b>Financial KPI’s</b>	<b>2014</b>	<b>2013</b>	Definition, method of calculation and analysis
Revenue growth (%)	(2.3%)	9.1%	Year on year revenue growth expressed as a percentage. The 2014 decrease reflected volume growth of 3.5%, which was more than offset by the impact of unfavourable exchange translation rate movements (which decreased revenue by 4.6%) and the lower raw material prices, which reduced selling prices.
Operating profit margin (% turnover)	2.4%	2.3%	Operating profit expressed as a percentage of turnover. The increase in 2014 reflected an increased underlying operating profit level which more than offset the higher start-up costs incurred in the UK and the lower level of raw material meat prices which do not in all Hilton’s contractual arrangements feed directly through to correspondingly decreased margins.
Operating profit margin (pence per kg)	11.3	11.5	Operating profit per kilogram sold
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£’m)	41.7	41.3	Operating profit before depreciation, amortisation and government capital grants, with higher depreciation charges being offset by the impact of unfavourable exchange rate movements
Free cash flow before minorities (£’m)	(2.1)	17.0	Cash out flow before dividends and financing after bearing £43.3m of capital expenditure in 2014, compared with £18.4m in 2013.
Gearing ratio (%)	18%	N/A	Year-end net debt as a percentage of EBITDA. Despite major capital expenditure in 2014 the Group’s gearing remains modest. The Group was ungeared at the end of 2013, with a net cash position.
<b>Non-financial KPI’s</b>	<b>2014</b>	<b>2013</b>	Definition, method of calculation and analysis
Growth in volume of packed meat sales (%)	3.5%	2.0%	Year on year volume growth, expressed as a percentage.
Employee and labour agency costs (pence per kilogram)	39.3	40.1	The decrease reflects continuing efficiency gains and low levels of wage inflation.
Customer service level (%)	99.0%	98.3%	Packs of meat delivered as a % of the orders placed. Little year on year change, with high service levels being maintained.

Although these KPI’s are measured separately, the relationship between them is also monitored. In addition, a wider range of KPI’s are continuously tracked at business unit level.

## **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, two thirds of its revenues are earned in other currencies, currently 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 joint venture.

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

### **Interest rate fluctuation risk**

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

### **Customer credit and pricing risks**

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

### **Liquidity risk**

This has for many businesses represented a significant area of concern over recent years, given the continuing difficult and uncertain economic environment and liquidity constraints across banking systems in Europe. The 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 and cautionary statements**

### **Going concern basis**

The Group's bank borrowings are detailed in the financial statements and the principal banking facilities, which support the Group's existing and contracted new business, are committed, with no renewal required for four years. The Group is in full compliance with all its banking covenants. Future geographical expansion which is not yet contracted, and which is not built into 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 required.

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

### **Forward looking statements**

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

**Nigel Majewski**  
Financial Director  
24 March 2015

# Risk management and principal risks

## Risks and risk management

As a leading food processor in a fast moving environment it is critical that the Group identifies, assesses and prioritises its risks. This, together with the adoption of appropriate risk mitigation strategies, enables us to monitor, minimise and control both the probability and potential impact of these risks.

### How we manage risk

As with all businesses, the Group is exposed to a range of risks and uncertainties which could have a significant impact on its business, reputation, operating results and financial position. Responsibility for risk management across the group 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 has a well-developed structure and range of processes for identifying, assessing, prioritising and mitigating these key risks, as the delivery of our strategy depends on our ability to make sound risk-informed decisions.

### The most significant risks the Group faces

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

Description of risk	The Group is dependent on a small number of customers who can exercise significant buying power and influence.
Its potential impact	The Group has a relatively narrow, but expanding, customer base, with sales to subsidiary or associated companies of the Tesco and Ahold groups still comprising the larger part of Hilton's revenue in 2014. The larger retail chains have over many years continued to increase their market share of meat products in many countries, as customers continue to move away from high street butchers towards one stop convenience shopping in supermarkets. This has increased the buying power of the Group's customers which in turn increases their negotiating power with the Group, which could enable them to seek better terms over time.
Risk mitigation measures and strategies adopted	The Group is progressively widening its customer base and its maintained high level of investment in state of the art facilities, which together with management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively. Hilton operates a decentralised, entrepreneurial business structure, which enables it to work very closely, nimbly and flexibly with its retail partners in each country, in order to achieve high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety, product integrity and traceability assurance. Hilton has long term supply agreements in place with its major customers, with pricing either on a cost plus or agreed packing rate basis.

Description of risk	The Group's growth potential is dependent on the success of its customers and the growth of their packed meat sales.
Its potential impact	The Group's products carry the brand labels of the customer to whom packed meat is supplied and it is accordingly dependent on its customers' success in maintaining or improving consumer perception of their own brand names and packed meat offerings.
Risk mitigation measures and strategies adopted	The Group plays a very pro-active role in enhancing its customers' brand values, through providing high quality, competitively priced products, high service levels and continuing product and packaging innovation. It recognises that quality and traceability assurance are integral to its customers' brands and works closely with its customers to ensure rigorous quality assurance standards are met. It is continuously measured by its customers across a very wide range of parameters, including delivery time, product specification, product traceability and accuracy of documentation and targets demanding service levels across all these parameters. The Group works closely with its customers to identify continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage in the supply chain.

Description of risk	The progress of the Group's business is dependent on the macroeconomic environment and levels of consumer spending in the countries in which it operates.
Its potential impact	No business is immune to difficult economic climates and the consequent pressure on levels of consumer spending, such as those seen over recent years across Europe.
Risk mitigation measures and strategies adopted	With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made continued progress over the recent difficult economic period. It expects to be able to continue to make progress, even if the current pressures on consumer spending, as expected, persist in some developed countries.

Description of risk	The Group's business is reliant on a small number of key personnel and its ability to manage growth and change successfully.
Its potential impact	The Group is critically dependent on the skills and experience of a small number of senior managers and specialists and as the business develops and expands, the Group's success will inevitably depend on its ability to attract and retain the necessary calibre of personnel for key positions, both for managing and growing its existing businesses and setting up new ones.
Risk mitigation measures and strategies adopted	To continue to manage growth successfully, the Group will carefully manage its skill resources and continue to invest in on-the-job training and career development, together with the cost effective management of quality information and control systems, whilst recruiting high quality new employees, as required, to facilitate the Group's ongoing growth. The continuing growth of Hilton's business, together with its growing reputation, is facilitating the recruitment of more top class specialists with the key skill sets required both to support our existing individual country business units and manage the Group's future geographical expansion.

Description of risk	The Group's business is dependent on maintaining a wide and flexible global meat supply base operating at standards that can continuously achieve the specifications set by Hilton and its customers.
Its potential impact	The Group is reliant on its suppliers to provide sufficient volume of products, to the agreed specifications, in the very short lead times required by its customers. The Group sources certain of its meat requirements globally. Tariffs, quotas or trade barriers imposed by countries where the group procures meat, or which they may impose in the future, together with the progress of World Trade Organisation talks and other global trade developments, could materially affect the Group's international procurement ability but has not done so in recent years.
Risk mitigation measures and strategies adopted	The Group maintains a flexible global meat supply base, which is progressively widening as it expands and is continuously audited to ensure standards are maintained, so as to have in place a wide range of options should any such eventualities occur.

Description of risk	Outbreaks of disease and feed contamination affecting livestock and media concerns relating to these and instances of product adulteration can impact the Group's sales.
Its potential impact	Reports in the public domain concerning the risks of consuming meat can cause consumer demand for meat to drop significantly in the short to medium term. A food scare similar to the Bovine Spongiform Encephalopathy ("BSE") scare that took place in 1996 or the much more recent concerns with regard to horse meat substitution can affect public confidence in red meats.
Risk mitigation measures and strategies adopted	The Group sources its meat from a trusted raw material supply base, all components of which meet stringent national, international and customer standards. The Group is subject to demanding standards which are independently monitored in every country and reliable product traceability and high welfare standards from the farm to the consumer are integral to the Group's business model. The Group ensures full traceability from source to packed product across all suppliers.

The Board has overall responsibility for the Group's risk management processes and also for the appropriate identification of risks and the effective application of actions designed to mitigate those risks.

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

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. The risks set out in the above table, together with our risk mitigation strategies, should be considered in the context of the Group's risk management and internal control framework, details of which are set out in the Corporate governance statement. It must be realised that systems of internal control are designed to manage rather than completely eliminate any identified risks.

Note: References in this preliminary announcement to the Strategic report, the Corporate and social responsibility report, the Directors' report and the Corporate Governance statement are to reports which will be available in the Company's full published accounts.



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

Each of the Directors whose names and functions are set out below confirms that to the best of their knowledge and belief:

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

This responsibility statement was approved by the Board of Directors on 24 March 2015 and is signed on its behalf by:

Directors

R Watson, OBE	Chief Executive
N Majewski	Finance Director
T Bergman	Chief Operating Officer Continental Europe
P Heffer	Chief Operating Officer UK and Ireland
Sir D Naish, DL	Non-Executive Chairman
C Marsh	Non-Executive Director
C Smith, OBE	Non-Executive Director

## Consolidated income statement

	Notes	2014 52 weeks £'000	2013 52 weeks £'000
Continuing operations			
<b>Revenue</b>	3	<b>1,098,990</b>	1,124,780
Cost of sales		(966,809)	(993,257)
<b>Gross profit</b>		<b>132,181</b>	131,523
Distribution costs		(10,541)	(10,498)
Administrative expenses		(96,462)	(95,715)
Share of profit in joint venture		884	464
<b>Operating profit</b>		<b>26,062</b>	25,774
Finance income	4	102	118
Finance costs	4	(976)	(1,020)
Finance costs – net	4	(874)	(902)
<b>Profit before income tax</b>		<b>25,188</b>	24,872
Income tax expense	5	(5,638)	(5,512)
<b>Profit for the year</b>		<b>19,550</b>	19,360
<b>Attributable to:</b>			
Owners of the parent		<b>18,071</b>	17,828
Non-controlling interests		<b>1,479</b>	1,532
		<b>19,550</b>	19,360
<b>Earnings per share attributable to owners of the parent during the year</b>			
Basic (pence)	6	<b>25.0</b>	25.0
Diluted (pence)	6	<b>24.7</b>	24.8

## Consolidated statement of comprehensive income

	2014 52 weeks £'000	2013 52 weeks £'000
<b>Profit for the year</b>	<b>19,550</b>	19,360
<b>Other comprehensive income</b>		
Currency translation differences	(4,761)	390
<b>Other comprehensive income for the year net of tax</b>	<b>(4,761)</b>	390
<b>Total comprehensive income for the year</b>	<b>14,789</b>	19,750
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	<b>13,625</b>	18,151
Non-controlling interests	<b>1,164</b>	1,599
	<b>14,789</b>	19,750

The notes are an integral part of these consolidated financial statements.

# Consolidated balance sheet

		2014	Group	2014	Company
	Notes	£'000	2013	£'000	2013
			£'000		£'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	72,642	58,876	-	-
Intangible assets	9	12,547	2,660	-	-
Investments		1,234	405	102,985	102,985
Deferred income tax assets		771	1,313	-	-
		<b>87,194</b>	63,254	<b>102,985</b>	102,985
<b>Current assets</b>					
Inventories		22,029	23,837	-	-
Trade and other receivables		115,609	124,356	53	88
Current income tax assets		1,532	745	30	53
Cash and cash equivalents		35,586	34,642	333	189
		<b>174,756</b>	183,580	<b>416</b>	330
<b>Total assets</b>		<b>261,950</b>	246,834	<b>103,401</b>	103,315
<b>Equity</b>					
Equity attributable to owners of the parent					
Ordinary shares		7,259	7,216	7,259	7,216
Share premium		7,235	5,885	7,235	5,885
Employee share schemes reserve		441	857	-	-
Foreign currency translation reserve		(2,024)	2,422	-	-
Retained earnings		72,717	63,989	13,470	11,922
		<b>85,628</b>	80,369	<b>27,964</b>	25,023
Reverse acquisition reserve		(31,700)	(31,700)	-	-
Merger reserve		919	919	71,019	71,019
		<b>54,847</b>	49,588	<b>98,983</b>	96,042
Non-controlling interests		4,786	4,670	-	-
<b>Total equity</b>		<b>59,633</b>	54,258	<b>98,983</b>	96,042
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	10	32,573	18,616	-	-
Deferred income tax liabilities		1,875	1,459	-	-
		<b>34,448</b>	20,075	-	-
<b>Current liabilities</b>					
Borrowings	10	10,687	11,104	-	-
Trade and other payables		157,182	161,397	4,418	7,273
		<b>167,869</b>	172,501	<b>4,418</b>	7,273
<b>Total liabilities</b>		<b>202,317</b>	192,576	<b>4,418</b>	7,273
<b>Total equity and liabilities</b>		<b>261,950</b>	246,834	<b>103,401</b>	103,315

The notes are an integral part of these consolidated financial statements.

The financial statements were approved by the Board on 24 March 2015 and were signed on its behalf by:

R. Watson OBE  
Director

N. Majewski  
Director

Hilton Food Group plc - Registered number: 06165540

# Consolidated statement of changes in equity

Attributable to owners of the parent

Group	Notes	Attributable to owners of the parent									
		Share capital £'000	Share premium £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 31 December 2012		7,087	2,562	1,238	2,099	54,932	(31,700)	919	37,137	3,835	40,972
Profit for the year		-	-	-	-	17,828	-	-	17,828	1,532	19,360
Other comprehensive income											
Currency translation differences		-	-	-	323	-	-	-	323	67	390
Total comprehensive income for the year		-	-	-	323	17,828	-	-	18,151	1,599	19,750
Issue of new shares		129	2,498	-	-	-	-	-	2,627	-	2,627
Adjustment in respect of employee share schemes		-	682	(599)	-	-	-	-	83	-	83
Tax on employee share schemes		-	143	218	-	-	-	-	361	-	361
Dividends paid	7	-	-	-	-	(8,771)	-	-	(8,771)	(764)	(9,535)
Total transactions with owners		129	3,323	(381)	-	(8,771)	-	-	(5,700)	(764)	(6,464)
Balance at 29 December 2013		7,216	5,885	857	2,422	63,989	(31,700)	919	49,588	4,670	54,258
<b>Profit for the year</b>		-	-	-	-	<b>18,071</b>	-	-	<b>18,071</b>	<b>1,479</b>	<b>19,550</b>
Other comprehensive income											
Currency translation differences		-	-	-	(4,446)	-	-	-	(4,446)	(315)	(4,761)
Total comprehensive income for the year		-	-	-	(4,446)	18,071	-	-	13,625	1,164	14,789
Issue of new shares		43	794	-	-	-	-	-	837	-	837
Adjustment in respect of employee share schemes		-	406	(151)	-	-	-	-	255	-	255
Tax on employee share schemes		-	150	(265)	-	-	-	-	(115)	-	(115)
Dividends paid	7	-	-	-	-	(9,343)	-	-	(9,343)	(1,048)	(10,391)
Total transactions with owners		43	1,350	(416)	-	(9,343)	-	-	(8,366)	(1,048)	(9,414)
Balance at 28 December 2014		7,259	7,235	441	(2,024)	72,717	(31,700)	919	54,847	4,786	59,633
<b>Company</b>											
Balance at 31 December 2012		7,087	2,562	-	-	11,148	-	71,019	91,816		
Profit for the year		-	-	-	-	9,545	-	-	9,545		
Total comprehensive income for the year		-	-	-	-	9,545	-	-	9,545		
Issue of new shares		129	2,498	-	-	-	-	-	2,627		
Adjustment in respect of employee share schemes		-	682	-	-	-	-	-	682		
Tax on employee share schemes		-	143	-	-	-	-	-	143		
Dividends paid	7	-	-	-	-	(8,771)	-	-	(8,771)		
Total transactions with owners		129	3,323	-	-	(8,771)	-	-	(5,319)		
Balance at 29 December 2013		7,216	5,885	-	-	11,922	-	71,019	96,042		
<b>Profit for the year</b>		-	-	-	-	<b>10,891</b>	-	-	<b>10,891</b>		
Total comprehensive income for the year		-	-	-	-	10,891	-	-	10,891		
Issue of new shares		43	794	-	-	-	-	-	837		
Adjustment in respect of employee share schemes		-	406	-	-	-	-	-	406		
Tax on employee share schemes		-	150	-	-	-	-	-	150		
Dividends paid	7	-	-	-	-	(9,343)	-	-	(9,343)		
Total transactions with owners		43	1,350	-	-	(9,343)	-	-	(7,950)		
Balance at 28 December 2014		7,259	7,235	-	-	13,470	-	71,019	98,983		

The notes are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

		2014	Group 2013	2014	Company 2013
	Notes	52 weeks £'000	52 weeks £'000	52 weeks £'000	52 weeks £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	11	47,626	41,788	-	-
Interest paid		(976)	(1,020)	(171)	(213)
Income tax (paid)/received		(5,530)	(5,515)	87	115
Net cash generated from/(used in) operating activities		41,120	35,253	(84)	(98)
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment		(31,830)	(17,228)	-	-
Proceeds from sale of property, plant and equipment		129	147	-	-
Purchases of intangible assets		(11,599)	(1,272)	-	-
Interest received		102	118	-	-
Dividends received		-	-	11,000	9,750
Net cash (used in)/generated from investing activities		(43,198)	(18,235)	11,000	9,750
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		36,193	3,845	-	-
Repayments of borrowings		(21,923)	(11,114)	-	-
Repayment of inter-company loan		-	-	(2,266)	(3,349)
Issue of ordinary shares		837	2,627	837	2,627
Dividends paid to owners of the parent		(9,343)	(8,771)	(9,343)	(8,771)
Dividends paid to non-controlling interests		(1,048)	(764)	-	-
Net cash generated from/(used) in financing activities		4,716	(14,177)	(10,772)	(9,493)
<b>Net increase in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of the year		34,642	31,428	189	30
Exchange (losses)/gains on cash and cash equivalents		(1,694)	373	-	-
<b>Cash and cash equivalents at end of the year</b>		<b>35,586</b>	<b>34,642</b>	<b>333</b>	<b>189</b>

The notes are an integral part of these consolidated financial statements.

# Notes to the financial statements

## 1 General information

Hilton Food Group plc (“the Company”) and its subsidiaries (together “the Group”) is a specialist retail meat packing business supplying major international food retailers in thirteen European countries and Australia. The Company’s subsidiaries are listed in a note.

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

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

The financial year represents the 52 weeks to 28 December 2014 (prior financial year 52 weeks to 29 December 2013).

This preliminary announcement was approved for issue on 24 March 2015.

## 2 Summary of significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 29 December 2013.

### Basis of preparation

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

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 a note.

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 28 December 2014 and 29 December 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company’s Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

### 3 Segment information

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

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

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

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

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

	Western Europe £'000	Central Europe £'000	Central costs and other £'000	2014 Total £'000	Western Europe £'000	Central Europe £'000	Central costs and other £'000	2013 Total £'000
Total segment revenue	1,018,368	82,156	-	1,100,524	1,029,131	96,265	-	1,125,396
Inter-segment revenue	(1,534)	-	-	(1,534)	(414)	(202)	-	(616)
<b>Revenue from external customers</b>	<b>1,016,834</b>	<b>82,156</b>	<b>-</b>	<b>1,098,990</b>	<b>1,028,717</b>	<b>96,063</b>	<b>-</b>	<b>1,124,780</b>
<b>Operating profit/segment result</b>	<b>27,115</b>	<b>2,426</b>	<b>(3,479)</b>	<b>26,062</b>	<b>27,860</b>	<b>2,481</b>	<b>(4,567)</b>	<b>25,774</b>
Finance income	20	81	1	102	56	57	5	118
Finance costs	(667)	-	(309)	(976)	(556)	(29)	(435)	(1,020)
Income tax expense	(5,902)	(502)	766	(5,638)	(6,133)	(497)	1,118	(5,512)
<b>Profit for the year</b>	<b>20,566</b>	<b>2,005</b>	<b>(3,021)</b>	<b>19,550</b>	<b>21,227</b>	<b>2,012</b>	<b>(3,879)</b>	<b>19,360</b>
Depreciation and amortisation	14,354	1,186	96	15,636	14,205	1,287	78	15,570
Additions to non-current assets	42,492	824	113	43,429	17,898	456	146	18,500
<b>Segment assets</b>	<b>240,231</b>	<b>15,949</b>	<b>3,467</b>	<b>259,647</b>	<b>223,027</b>	<b>18,495</b>	<b>3,254</b>	<b>244,776</b>
Current income tax assets				1,532				745
Deferred income tax assets				771				1,313
<b>Total assets</b>				<b>261,950</b>				<b>246,834</b>
<b>Segment liabilities</b>	<b>190,316</b>	<b>7,521</b>	<b>1,163</b>	<b>199,000</b>	<b>166,394</b>	<b>9,556</b>	<b>1,114</b>	<b>177,064</b>
Borrowings				1,442				14,053
Deferred income tax liabilities				1,875				1,459
<b>Total liabilities</b>				<b>202,317</b>				<b>192,576</b>

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

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

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

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

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

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Analysis by geographical area</b>				
United Kingdom – country of domicile	<b>391,139</b>	314,465	<b>40,200</b>	15,802
Netherlands	<b>266,049</b>	294,596	<b>10,645</b>	12,532
Sweden	<b>197,603</b>	222,802	<b>13,828</b>	5,302
Republic of Ireland	<b>60,289</b>	76,010	<b>4,351</b>	5,299
Denmark	<b>101,754</b>	120,843	<b>13,821</b>	18,560
Central Europe	<b>82,156</b>	96,064	<b>3,578</b>	4,446
	<b>1,098,990</b>	1,124,780	<b>86,423</b>	61,941
<b>Analysis by principal customer</b>				
Customer 1	<b>472,883</b>	418,085		
Customer 2	<b>299,779</b>	338,522		
Customer 3	<b>212,698</b>	239,331		
Customer 4	<b>99,996</b>	120,748		
Other	<b>13,634</b>	8,094		
	<b>1,098,990</b>	1,124,780		



## 4 Finance income and costs

Group	2014 £'000	2013 £'000
<b>Finance income</b>		
Interest income on short term bank deposits	97	115
Interest on income taxes	5	3
<b>Finance income</b>	<b>102</b>	<b>118</b>
<b>Finance costs</b>		
Bank borrowings	(765)	(671)
Finance leases	(189)	(208)
Exchange gains/(losses) on foreign currency borrowings	22	(63)
Other interest expense	(44)	(78)
<b>Finance costs</b>	<b>(976)</b>	<b>(1,020)</b>
<b>Finance costs – net</b>	<b>(874)</b>	<b>(902)</b>

## 5 Income tax expense

Group	2014 £'000	2013 £'000
<b>Current income tax</b>		
Current tax on profits for the year	4,795	5,764
Adjustments to tax in respect of previous years	47	(130)
<b>Total current tax</b>	<b>4,842</b>	<b>5,634</b>
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	704	(198)
Adjustments to tax in respect of previous years	92	76
<b>Total deferred tax</b>	<b>796</b>	<b>(122)</b>
<b>Income tax expense</b>	<b>5,638</b>	<b>5,512</b>

Deferred tax debited directly to equity during the year in respect of employee share schemes amounted to £265,000 (2013: £218,000 credit).

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 21.5% (2013: 23.25%) applied to profits of the consolidated entities as follows:

	2014 £'000	2013 £'000
<b>Profit before income tax</b>	<b>25,188</b>	<b>24,872</b>
Tax calculated at the standard rate of UK Corporation Tax 21.5% (2013: 23.25%)	5,415	5,783
(Income not taxable)/expenses not deductible for tax purposes	(37)	88
Adjustments to tax in respect of previous years	139	(54)
Profits taxed at rates other than 21.5% (2013: 23.25%)	133	(207)
Other	(12)	(98)
<b>Income tax expense</b>	<b>5,638</b>	<b>5,512</b>

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

## 6 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		2014		2013	
		Basic	Diluted	Basic	Diluted
Profit attributable to owners of the parent	(£'000)	<b>18,071</b>	<b>18,071</b>	17,828	17,828
Weighted average number of ordinary shares in issue	(thousands)	<b>72,379</b>	<b>72,379</b>	71,321	71,321
Adjustment for share options	(thousands)	-	<b>714</b>	-	654
Adjusted weighted average number of ordinary shares	(thousands)	<b>72,379</b>	<b>73,093</b>	71,321	71,975
Basic and diluted earnings per share	(pence)	<b>25.0</b>	<b>24.7</b>	25.0	24.8

## 7 Dividends

Group	2014	2013
	£'000	£'000
Final dividend in respect of 2013 paid 9.1p per ordinary share (2013: 8.6p)	<b>6,590</b>	6,139
Interim dividend in respect of 2014 paid 3.8p per ordinary share (2013: 3.65p)	<b>2,753</b>	2,632
Total dividends paid	<b>9,343</b>	8,771

The Directors propose a final dividend of 9.5p per share payable on 26 June 2015 to shareholders who are on the register at 29 May 2015. This dividend totalling £6.9m has not been recognised as a liability in these consolidated financial statements.

## 8 Property, plant and equipment

<b>Group</b>	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 31 December 2012	24,905	137,807	10,659	278	173,649
Exchange adjustments	256	979	24	-	1,259
Additions	1,003	15,017	1,066	142	17,228
Disposals	(2)	(718)	(598)	(109)	(1,427)
At 29 December 2013	26,162	153,085	11,151	311	190,709
<b>Accumulated depreciation</b>					
At 31 December 2012	14,265	94,682	8,410	130	117,487
Exchange adjustments	107	412	6	-	525
Charge for the year	1,957	12,093	986	65	15,101
Disposals	(1)	(620)	(597)	(62)	(1,280)
At 29 December 2013	16,328	106,567	8,805	133	131,833
<b>Net book amount</b>					
At 31 December 2012	10,640	43,125	2,249	148	56,162
At 29 December 2013	9,834	46,518	2,346	178	58,876
<b>Cost</b>					
<b>At 30 December 2013</b>	<b>26,162</b>	<b>153,085</b>	<b>11,151</b>	<b>311</b>	<b>190,709</b>
<b>Exchange adjustments</b>	<b>(909)</b>	<b>(9,319)</b>	<b>(636)</b>	<b>(3)</b>	<b>(10,867)</b>
<b>Additions</b>	<b>13,176</b>	<b>17,473</b>	<b>1,165</b>	<b>16</b>	<b>31,830</b>
<b>Reclassification</b>	<b>(754)</b>	<b>3,344</b>	<b>(2,672)</b>	<b>82</b>	<b>-</b>
<b>Disposals</b>	<b>-</b>	<b>(4,368)</b>	<b>(454)</b>	<b>(109)</b>	<b>(4,931)</b>
<b>At 28 December 2014</b>	<b>37,675</b>	<b>160,215</b>	<b>8,554</b>	<b>297</b>	<b>206,741</b>
<b>Accumulated depreciation</b>					
<b>At 30 December 2013</b>	<b>16,328</b>	<b>106,567</b>	<b>8,805</b>	<b>133</b>	<b>131,833</b>
<b>Exchange adjustments</b>	<b>(535)</b>	<b>(6,364)</b>	<b>(476)</b>	<b>(1)</b>	<b>(7,376)</b>
<b>Charge for the year</b>	<b>1,966</b>	<b>11,391</b>	<b>1,006</b>	<b>74</b>	<b>14,437</b>
<b>Reclassification</b>	<b>(492)</b>	<b>2,582</b>	<b>(2,090)</b>	<b>-</b>	<b>-</b>
<b>Disposals</b>	<b>-</b>	<b>(4,265)</b>	<b>(443)</b>	<b>(87)</b>	<b>(4,795)</b>
<b>At 28 December 2014</b>	<b>17,267</b>	<b>109,911</b>	<b>6,802</b>	<b>119</b>	<b>134,099</b>
<b>Net book amount</b>					
<b>At 28 December 2014</b>	<b>20,408</b>	<b>50,304</b>	<b>1,752</b>	<b>178</b>	<b>72,642</b>

Land and buildings are held under short leaseholds. Details of bank borrowings secured on assets of the Group are given in note 10. Depreciation charges are included within administrative expenses in the income statement.

The cost and net book amount of property plant and equipment in the course of its construction included above comprise plant and machinery £1,209,000 (2013: £5,027,000).

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

	<b>2014</b> £'000	2013 £'000
Cost – capitalised finance leases	<b>3,195</b>	3,412
Accumulated depreciation	<b>(1,742)</b>	(1,688)
Net book amount	<b>1,453</b>	1,724

Included in assets held under finance leases are land and buildings with a net book amount of £1,453,000 (2013: £1,724,000) and plant and machinery with a net book amount of £nil (2013: £nil).

## 9 Intangible assets

<b>Group</b>	<b>Product licences £'000</b>	<b>Computer software £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 31 December 2012	7,549	4,327	836	12,712
Exchange adjustments	138	(12)	-	126
Additions	1,146	126	-	1,272
At 29 December 2013	8,833	4,441	836	14,110
<b>Accumulated amortisation</b>				
At 31 December 2012	7,488	3,367	-	10,855
Exchange adjustments	156	(30)	-	126
Charge for the year	145	324	-	469
At 29 December 2013	7,789	3,661	-	11,450
<b>Net book amount</b>				
At 31 December 2012	61	960	836	1,857
At 29 December 2013	1,044	780	836	2,660
<b>Cost</b>				
<b>At 30 December 2013</b>	<b>8,833</b>	<b>4,441</b>	<b>836</b>	<b>14,110</b>
<b>Exchange adjustments</b>	<b>(977)</b>	<b>(475)</b>	<b>-</b>	<b>(1,452)</b>
<b>Additions</b>	<b>11,449</b>	<b>150</b>	<b>-</b>	<b>11,599</b>
<b>At 28 December 2014</b>	<b>19,305</b>	<b>4,116</b>	<b>836</b>	<b>24,257</b>
<b>Accumulated amortisation</b>				
<b>At 30 December 2013</b>	<b>7,789</b>	<b>3,661</b>	<b>-</b>	<b>11,450</b>
<b>Exchange adjustments</b>	<b>(525)</b>	<b>(414)</b>	<b>-</b>	<b>(939)</b>
<b>Charge for the year</b>	<b>892</b>	<b>307</b>	<b>-</b>	<b>1,199</b>
<b>At 28 December 2014</b>	<b>8,156</b>	<b>3,554</b>	<b>-</b>	<b>11,710</b>
<b>Net book amount</b>				
<b>At 28 December 2014</b>	<b>11,149</b>	<b>562</b>	<b>836</b>	<b>12,547</b>

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

## 10 Borrowings

	2014	2013
Group	£'000	£'000
<b>Current</b>		
Bank borrowings	10,531	10,942
Finance lease liabilities	156	162
	<b>10,687</b>	<b>11,104</b>
<b>Non-current</b>		
Bank borrowings	30,304	16,031
Finance lease liabilities	2,269	2,585
	<b>32,573</b>	<b>18,616</b>
<b>Total borrowings</b>	<b>43,260</b>	<b>29,720</b>

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:

	2014	2013
Currency	£'000	£'000
UK Pound	30,737	17,375
Euro	2,425	12,345
Swedish Krona	10,098	-
	<b>43,260</b>	<b>29,720</b>

Borrowings are repayable in quarterly instalments by 2019. Interest on borrowings in Sterling is charged at LIBOR plus 1.6% subject to interest rate caps over £12m of borrowings where LIBOR is capped at 4.5%. Interest on borrowings in Swedish Krona is charged at STIBOR plus 1.6% subject to interest rate caps over SEK 75m of borrowings where STIBOR is capped at 3%.

Bank borrowings totalling £40,835,000 (2013: £26,973,000) are secured by fixed and floating charges over the assets of the individual Group borrowers and through joint and several guarantees from each active Group undertaking.

The Group has undrawn overdraft and loan borrowing facilities of £46.5m (2013: £18.3m) which expire after one year.

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

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

Group	Minimum lease payments		Present value	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
No later than one year	329	358	156	162
Later than one year and no later than five years	1,398	1,457	2,269	2,585
Later than five years	1,732	2,237	-	-
	<b>3,459</b>	<b>4,052</b>	<b>2,425</b>	<b>2,747</b>
Future finance charges on finance leases	(1,034)	(1,305)	-	-
Present value of finance lease liabilities	<b>2,425</b>	<b>2,747</b>	<b>2,425</b>	<b>2,747</b>

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The fair value of the Group's finance lease liabilities is £3,315,000 (2013: £3,840,000). The fair values are based on cash flows discounted using the European Central Bank benchmark main refinancing operations fixed interest rate of 0.05% (2013: 0.25%).

## 11 Cash generated from operations

	2014	2013
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Profit before income tax	25,188	24,872
Finance costs – net	874	902
Operating profit	26,062	25,774
Adjustments for non-cash items:		
Share of post tax profits of joint venture	(884)	(464)
Depreciation of property, plant and equipment	14,437	15,101
Amortisation of intangible assets	1,199	469
Loss on disposal of non-current assets	7	-
Adjustment in respect of employee share schemes	255	83
Changes in working capital:		
Inventories	424	(1,835)
Trade and other receivables	(112)	(15,983)
Prepaid expenses	592	191
Trade and other payables	3,947	17,025
Accrued expenses	1,699	1,427
Cash generated from operations	47,626	41,788

The parent company has no operating cash flows.

## 12 Related party transactions and ultimate controlling party

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

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

	2014	2013
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Woolworths Limited and subsidiaries - recharge of joint venture costs	1,245	1,794

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

	Owed from related parties	
	2014	2013
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Woolworths Limited and subsidiaries	33	387

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

	2014	2013
<b>Company</b>	<b>£'000</b>	<b>£'000</b>
Hilton Foods Limited – dividend received	11,000	9,750
Hilton Foods Limited – interest expense	140	229
Hilton Foods UK Limited – payment for group relief	53	88

At the year-end £4,403,000 (2013: £7,225,000) was owed to Hilton Foods Limited and £53,000 (2013: £88,000) was owed by Hilton Foods UK Limited.

Details of key management compensation are given in a note.