31 March 2009

Hilton Food Group plc

Preliminary results for the year to 31 December 2008

A year of strong progress

Hilton Food Group plc, Europe's leading specialist retail meat packing business supplying major international food retailers, announces its results for the year to 31 December 2008.

2008 Financial Highlights

	Year to 31 December 2008	Year to 31 December 2007	% Increase
Turnover	£729.5m	£577.7m	+26.3
Operating profit	£20.2m	£17.4m *	+16.1
Profit before tax	£17.3m	£15.5m *	+11.6
Cash generated from operations	£35.3m	£25.4m *	+39.0
Basic earnings per share	16.5p	15.0p *	+10.0
Proposed final dividend to be paid in July 2009	5.74p	5.20p	+10.4

** in respect of the year to 31 December 2007, operating profit, profit before tax, cash generated from operations and basic earnings per share are stated before a significant item which comprised the costs to the Group associated with the flotation of Hilton Food Group plc on the London Stock Exchange in May 2007 of £1.8m*

2008 Business highlights

- Volume growth of 9.2% and turnover growth of 26.3%
- Operating profit growth of 16.1%
- Strong cash generation enabling continued investment in equipment and facilities
- Factory extension at Drogheda, Ireland, to produce bacon and sausage products, completed on time and on budget in August 2008, with encouraging initial volumes
- Strong turnover and volume growth achieved in Central Europe, with Hilton's facility in Tychy, southern Poland, now supplying Tesco stores in Hungary, Czech Republic, Poland and Slovakia

- Strong balance sheet, with net debt reduced from £36.2m to £28.6m and no re-financing requirement until 2013

- Proposed final dividend of 5.74 p, giving a total dividend relating to 2008 of 8.14 p

Commenting, Robert Watson, Chief Executive said:

"Despite a worsening general economic background across Europe and the consequent pressure on consumer spending, I am pleased to report that 2008 has been a successful year for the Group, with trading in line with the Board's expectations. These results demonstrate the relative resilience of our business in a more challenging environment. Continuing volume and turnover growth was achieved across all the territories in which Hilton operates, during a year which saw the successful completion of further capacity expansion projects and continued investment in our facilities across Europe"

Enquiries

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Chairman's statement

The year to 31 December 2008 has been the Group's first full year's trading since its flotation on the main market of the London Stock Exchange in May 2007. During the past twelve months our trading has been robust, despite rising raw material prices and a steadily worsening general economic climate across Europe. The Group has made good progress, achieving strong sales and volume growth in all the territories in which it operates, whilst continuing to generate the levels of cash flow necessary to provide a solid platform for its future growth and development as well as rewarding shareholders with a good dividend return.

PERFORMANCE HIGHLIGHTS

In 2008 the Group achieved a continuing increase in volumes of meat packed for its customers, in excess of 9%. Turnover rose by over 26% to £729.5m, reflecting both the recovery of higher average raw material input prices, the volume increase and the impact of favourable currency movements throughout the year. These increases reflected growth across all the countries in which the Group operates, together with a material expansion of our business in Central Europe and the commencement, in August 2008, of our new bacon and sausage packing business in Ireland.

Operating profit before significant items rose by 16%, from £17.4m to £20.2m. Interest cover was 7 times (2007 9 times).

Basic earnings per share were 16.5p (2007: 15.0p, before flotation costs) an increase of 10%.

The Group has a proven cash generation track record and £35.3m was generated from operating activities in 2008 which contributed to reducing net year end borrowings to £28.6m, from £36.2m at the end of last year. This enables us to continuously improve and develop our facilities. Net capital expenditure of £15.1m in 2008 included the completion of the factory extension in Ireland for bacon and sausage packing and the investment required to enable the Central European expansion. In addition there was further investment at all our sites, designed both to maintain the high standard of our facilities and facilitate continued volume growth, in line with our customers' strategies.

The Group's results are considered in greater detail in the Chief Executive's review and the Group Business review sections.

DIVIDENDS TO SHAREHOLDERS

The Board is recommending a final dividend of 5.74p per ordinary share. Together with the interim dividend of 2.4p per ordinary share paid in December 2008, this makes a total dividend for the year of 8.14p per ordinary share, a 10% increase. Our dividend policy is designed to ensure that our shareholders benefit from the growth in profits and cash flow achieved by the Group, whilst leaving sufficient funds available to invest for the future. We continue to target a progressive dividend policy that provides an appropriate return to shareholders and a dividend level that grows in line with the underlying earnings of the Group. The final dividend, if approved by shareholders, will be paid on 3 July 2009 to shareholders on the register on 5 June 2009 and the shares will be ex dividend on 3 June 2009.

OUR PEOPLE

The strong progress achieved this year reflects the skills, dedication and hard work of our managers and employees who have continued to operate the business with the level of professionalism required to achieve continued growth, without any compromise in relation to standards of customer service. As our business continues to grow, we will continue to invest in strengthening our management teams, both to facilitate future growth and ensure that appropriate succession plans are set in place across the business.

EMPLOYEE SHARESAVE SCHEME

To help align our employees' interests with the Group's performance, and to give all our employees the opportunity of sharing in the Group's future success, the Group launched a savings related share option scheme in December 2008. Such schemes provide a simple method of saving and the initial up-take was encouraging across all the five countries in which we operate, indicating the level of confidence that our employees have in our future development, despite the challenging economic backdrop.

YOUR BOARD

The Board has continued to benefit from the range of skills and depth of practical experience available to support our management teams in five European countries. There were no changes to the Board during the year and I

thank my colleagues for their continued commitment and support.

CORPORATE GOVERNANCE

The Board has continued to review closely its compliance with the Combined Code on Corporate Governance and details of the Group's compliance are set out in the Directors' remuneration report and Corporate Governance statement.

BUSINESS DEVELOPMENT AND STRATEGY

The Group's historical growth has been based both on the success achieved by the Group's retail partners in their individual markets and by Hilton progressively expanding the range of meat lines packed for those partners. The start of bacon and sausage production in Ireland in 2008 is a recent example of this strategy. Such volume growth progressively reaps increased economies of scale, to the benefit of both parties, and is particularly important in the more challenging economic environments now faced by the Group and its partners across Europe. We continue to focus on further opportunities for geographical expansion.

LOOKING TO THE FUTURE

The Group's historical growth has been achieved both by geographical expansion and continuing organic growth in each country in which it operates. Volume growth continues and was over 9% in 2008, but may moderate somewhat in 2009, as our customers face far more challenging trading conditions.

Whilst our business will not be immune to the worsening economic climate, the Board expects, with a strong business model, to achieve further progress in 2009. Trading in the early part of 2009 has been in line with the Board's expectations.

Gordon Summerfield CBE
Non-Executive Chairman
30 March 2009

Chief Executive's review

2008 has seen a year of continued growth for the Hilton Food Group across all the five countries in which we operate. Our performance, in terms of both top and bottom line growth, has been strong, despite a steadily worsening general economic backdrop.

SEGMENTAL REVIEW OF ACTIVITIES

Western Europe

Operating profit of £18.9m (2007: £16.8m) on turnover of £679.7m (2007: £551.8m)

Western Europe covers the Group's businesses in the UK, Ireland, Holland and Sweden. Good progress was made across all four businesses in 2008, with each of our retail partners continuing to achieve organic growth. Volume growth was 5.6%, with turnover growth of 23.2% reflecting the recovery of higher average raw material prices and favourable currency movements during the period. There has inevitably been some trading down by consumers, in the face of worsening economic conditions, from more expensive meat cuts to part processed meat products such as mince, burgers and kebabs. Hilton is, however, a very efficient processor and packer part of processed meat products and is well placed for this recent shift in consumer preference. In December 2008, shortly after the successful launch of our Irish breakfast meats business there was a recall of all pork products by the Irish Government, due to "on farm" animal feed contamination. However, given the nature of our business model and with a government compensation scheme put in place, the effect on Hilton's Irish business has been limited.

Other Regions

Operating profit of £1.3m (2007: £0.6m) on turnover of £49.8m (2007: £25.9m)

Other Regions currently comprises the Group's expanding meat packing business in Central Europe, supplied from its packing plant in Tychy, in southern Poland. Volume growth of 57.7% was achieved in 2008, with turnover growth of 92.4%. This rapid growth reflected the progressive extension of deliveries, after a trial period, to Tesco stores in Hungary, Czech Republic, Poland and Slovakia, whilst sales to Ahold's Czech Republic business also continued to grow strongly. Volumes expanded over the year, but there were start up costs involved in supplying the four new customer channels, initially at very low volumes and with unavoidably high unit costs.

CUSTOMER PARTNERSHIPS

Hilton's growth has been based on its strong long term relationships with its successful retail partners, with whom the Group continues to work closely to deliver high service levels, consistent and high product quality, product innovation and high levels of food safety assurance and product integrity. Consistently meeting these standards has allowed the Group to continue to build volumes and progressively reduce unit packing costs, which becomes increasingly important in a recessionary climate. The strength of these partnerships has been the key driver of our growth ever since the Group was formed and will continue to underpin the Group's strategy, going forward.

Each of our packing facilities is bespoke and has been tailored to meet the specific needs of the Group's partner in the country concerned. Although we use common processing and packaging principles and blueprints, we do not simply replicate our facilities from one country to another. Each of our partners and markets are different and we believe that our success owes much to the time we have taken to understand in detail the very different needs of our customers, together with the specific requirements of the local markets in which they operate.

INVESTMENT IN FACILITIES

Modern, well invested facilities have always been a key competitive advantage to Hilton, which operates a high volume business where it is imperative to keep unit costs low and continuously improve product quality. Over the five years to December 2008 capital expenditure on the Group's packing facilities has totalled nearly £80m, the larger part of which has been spent on major capacity expansion projects. We are pleased to report that the most recent capacity expansion project, at Drogheda in Ireland for bacon and sausage production, was completed in August 2008, on time and budget, with minimal disruption to customer service levels and with encouraging initial sales volumes.

THE IMPORTANCE OF SCALE

The Group's packing plants operate at the very high throughput levels necessary to achieve low unit packing costs and each is continuously involved in a wide range of new product and packaging developments, which, together with extending the ranges of products packed, can serve to increase the utilisation of its packing facilities. This enables us to drive unit costs down still further, which is vital in a more challenging economic climate. This can only be achieved by using very modern high speed packing facilities, combined with an intensive focus on product quality, food safety and product integrity.

We believe in continuously developing our facilities, not only to grow with our customers, but to constantly improve our production processes, in order to maximise efficiency. We work closely with our customers, to continually evolve our facilities in order to produce new product and packaging concepts, which best practice we can, as a multinational company, share across all our facilities.

OUR STAFF

Hilton promotes a diverse, committed and well trained workforce that recognises the rights of all employees. Our employees make us successful and we are committed to the development of professional and well motivated teams at all our locations.

Our people are a key asset to the business and the continued progress made by the Group in 2008 is attributable to the strength, skills and professionalism of the dedicated workforces in each country. On behalf of the Board, we would like to thank them for their continued commitment, enthusiasm and expertise.

We employ 1,517 people in five separate focused business units, operating on the basis of detailed daily, weekly and monthly reporting procedures that ensure that everyone focuses tightly on the delivery of agreed business improvement targets. From the start of each new business we progressively embed our business culture, whilst being sensitive to the need to adapt our ways of working to complement the culture and values of each individual country in which we operate.

SUMMARY

Our strategic approach, which is detailed in the Group Business review ,has generated continuing strong top and bottom line growth over an extended period. We have a strong business model and we will remain sufficiently flexible to be able to take advantage of any new opportunities which may emerge in the changed economic environment.

Robert Watson OBE
Chief Executive Officer
30 March 2009

Group Business review

FINANCIAL REVIEW

BASIS OF ACCOUNTS PRESENTATION

The Group is presenting its results for the year to 31 December 2008, with comparative information for the year to 31 December 2007. The results of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

FINANCIAL PERFORMANCE

Revenue

The underlying trading performance has again been strong, with volumes growing overall by 9.2 %. Further details of volume growth by segment are detailed in the Chief Executive's review. Total Group turnover rose by 26.3 % to £729.5m, compared to £577.7m in 2007. The turnover increase is well above the level of volume gains, reflecting the recovery of higher average raw material prices and the effect of favourable exchange movements throughout the year.

Gross profit margin

Gross profit margins at 13.6 % were lower than last year (2007: 14.2%), reflecting the raw material price increases and start up costs in both Poland and Ireland.

Operating profit

Operating profit, at £20.2m was 16.1% above the operating profit of £17.4m (before flotation costs) made in 2007. Operating profit benefited from £0.6m. of currency translation gains, offset by the start up costs in Ireland and Poland.

Interest

Net finance costs rose from £2.0m to £2.9m. The increase comprises interest on the bank borrowings which were put in place prior to the Company's flotation in May 2007, for the first full year.

Profit before taxation

Profit before taxation, at £17.3m, was £3.7m higher than in 2007 (£13.6m), reflecting the absence of the one off charge for flotation costs of £1.8m in 2007,the operating profit improvement of £2.8m, and the increase in finance costs of £0.9m detailed above.

TAXATION

The taxation charge for the period was £4.8m. This included a one off tax charge of £0.9m following a change of tax law in the UK Finance Act 2008 which will phase out Industrial Buildings Allowances from 2008 onwards, and a one off tax benefit of £0.6m resulting from the adjustment of previous taxation provisions. Excluding these two one off factors, the taxation charge, at £4.5m, represented an effective rate of 26%, with profits in certain overseas countries being taxed at rates lower than in the UK.

EARNINGS PER SHARE

Basic and diluted earnings per share were 16.5p (2007: 15.0p, before restructuring and flotation costs and 12.7p after accounting for these costs) an increase of 10%.

CASH FLOW AND BORROWINGS

Cash flow continued to be strong, with the Group generating £11.7m of free cash flow before dividends to shareholders (2007: £11.4m). This has enabled the Group to steadily reduce the level of net debt outstanding. Group borrowings, net of cash balances of £25.8m, stood at £28.6m at 31 December 2008.

TREASURY POLICY

Presentational currency

The presentational currency of the Group is Sterling.

Foreign exchange rate movements

The Group's overseas subsidiaries earnings are translated into sterling at the average rates for the year and their assets and liabilities at the year end closing rates. The timing of the repatriation of profits to the UK and the repayment of any intra group loans to UK holding companies has regard to actual and forecast exchange rates. Changes in relevant currency parities are regularly monitored and whilst the Group has not to date hedged its foreign exchange rate exposures, the impact of which has been favourable over all recent years, this policy is kept under continuing review. The Group's overseas subsidiaries have natural hedges in place as, for the most part, they buy raw materials, employ people, source services, sell products and arrange funding in their local currencies.

Interest rate risk

The risk arises from the fact that the interest on the Group's sterling borrowings is variable, being at agreed margins over LIBOR, which fluctuates. The Board's policy is to have an interest rate cap on the majority of its sterling borrowings. It currently has in place a three year cap at 6.5% on £30m of its term loan from Ulster Bank, the interest rate on which is LIBOR plus an agreed margin.

Customer credit and price risk

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 immaterial. Historically the incidence of bad debts has been insignificant. Hilton's pricing is based either on cost plus or agreed packing rate agreements with these customers.

Liquidity risk

This is an area which in many businesses represents a material concern, given the deteriorating economic environment and liquidity constraints in banking systems. Whilst the Hilton Food Group continues to be cash generative, has a strong balance sheet and has committed banking facilities for the medium term sufficient to support its existing business, all bank positions are monitored daily and capital expenditure above certain levels, together with decisions on intra group dividends, are approved at Board meetings. All long term debt is arranged centrally and is subject to Board approval.

GOING CONCERN

The Group's bank borrowings are detailed in note 20 to the financial statements and the principal banking facilities which support the existing business are committed, with no renewal required for over four years. The Group is in compliance with all its banking covenants. Future geographical expansion, 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.

The Group's internal budgets and forecasts, which incorporate reasonably foreseeable changes in trading performance, 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 in preparing the financial statements.

GROUP OBJECTIVES AND STRATEGY

Hilton's overriding objective is to achieve attractive and sustainable rates of growth and shareholder returns, with its strategy being to build on its strong historic growth, leveraging its established business model by focusing on the following key areas:

Expansion with existing customers

Hilton works closely with its customers on both developing and extending the range of products it offers, the recent expansion in Ireland into bacon and sausage packing being a current example. The Group's flexible supply and production chain allow it to add new packing lines relatively easily, taking advantage of consumer led trends and requirements. We also work on developing innovative packaging solutions to further develop our customers' private label offerings.

Given the performance demonstrated to date with existing customers, the Board believes that the Group is well placed to build on its strong customer relationships by participating in new initiatives, either via product extension or new product development in existing territories or by partnering with its customers in their overseas expansion plans.

Adding new customers

We continue to focus on further opportunities for geographical expansion. Whilst its relationships with its existing customers have afforded the Group the opportunity to expand rapidly, its track record and outstanding facilities also provide a credible basis for attracting new customers in new countries and exploring where our business model can, appropriately adapted, produce economic advantages for both parties.

There are a number of new business prospects which are currently being progressed. Even against the background of the current difficult economic climate, the Directors believe that the business remains well placed to take advantage of the potential growth opportunities outlined above .

Continual focus on cost, quality and product development

Over the five years to 31 December 2008 the Group has invested nearly £80m in both new and existing facilities to increase capacity and enhance its processing technology. The Group maintains these facilities at the advanced technological level required for efficient operations that support high volumetric utilisation, thereby ensuring it continues to improve quality and remain cost competitive. We work closely with our customers to ensure rigorous quality, food safety and product integrity standards are continuously met.

PERFORMANCE AGAINST KEY PERFORMANCE INDICATORS (KPI's)

We monitor our progress against our objectives and strategy by reference to six key KPI's, detailed below :

KPI	**2008**	**2007**	Definition, method of calculation and analysis
Growth in volume of packed meat sales (Tonnes)	9.2 %	16.2 %	Year on year volume growth, expressed as a percentage.
Growth in revenue	26.3%	9.7%	Year on year revenue growth expressed as a percentage. The larger increase, than that of volumes, in 2008 reflects the recovery of higher average raw material meat prices and the impact of favourable currency translation rates during the year.
Operating profit margin (%)	2.8%	3.0%	Operating Profit expressed as a percentage of turnover. The decrease in 2008, reflects the start up costs incurred in Poland and Ireland and the higher raw material costs.
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£'m)	33.3	28.4	Operating Profit plus depreciation and amortisation of intangible assets and government grants. The improvement in 2008 reflects the growth in Operating Profit.
EBITDA (%)	4.6%	4.9%	Operating Profit plus depreciation and amortisation of intangible assets and government grants, as a percentage of turnover. The reduction in 2008 reflects the reduced Operating Profit Margin (above).
Free cash flow before minorities (£'m)	11.7	11.4	Cash flow before dividends and financing. The improvement reflects the increase in EBITDA and reduced working capital levels, offset by higher capital expenditure and higher interest and taxation payments.
Gearing Ratio (%)	0.9	1.3	Year end net debt divided by EBITDA. The decrease in 2008 reflects the higher level of EBITDA and the reduced net debt level at 31 December 2008.

Going forward, the Group's objective is to continue to perform strongly against existing KPI measures.
Each of the Group's operating businesses has a range on non-financial KPI's, but these cannot

be meaningfully aggregated on a Group basis.

RESOURCES, RISKS AND SIGNIFICANT RELATIONSHIPS

Resources

The Group takes considerable care to safeguard the assets that afford it competitive advantage. These include product quality, product integrity and food safety levels, customer service and product innovation levels, its operational management and skilled workforces and its modern well invested packing plants.

Reputation

Hilton's reputation comprises many facets including product quality and presentation, food safety and integrity, product innovation, service levels, health and safety, the manner in which it treats its employees and suppliers and the way in which it operates its facilities. All of these elements, which are achieved within a culture of safe working whilst operating within all applicable regulations, are the responsibility of the operational management teams in each country. In addition, the local management teams are supported by specialist central expertise and assistance, as and when required.

Meat packing facilities

The business has invested nearly £80m over the last five years to increase packing capacity, in order to be able to service its customers growth plans, whilst ensuring its packing facilities are kept at a state of the art level, both in terms of packing speeds, in order to reduce unit costs, and to both continuously improve product quality and reduce the environmental impact of the group's operations.

Employees

The Group continues to invest in its people. In addition to training and mentoring programmes, where additional skills are required, the strategies for retaining key staff include the provision of terms and conditions which are competitive in each locality, together with employer contributions to defined contribution pension schemes. In 2008 a sharesave scheme has been made available to all employees, to enable them to share in the Group's future growth.

Customers

Hilton has a comparatively narrow customer base, with sales to Tesco, Ahold (and its subsidiaries) and ICA currently comprising nearly all Hilton's revenue. Whilst detailed arrangements with customers vary, Hilton has partnership relationships with its multiple retail customers, which involve continuous very close liaison, discussion and co-ordination, designed to ensure the best possible outcomes for both our partners and their customers.

Suppliers

The Group maintains a wide and flexible global meat supply base, in order to be able to provide sufficient volume of products on short lead times as ordered by its customers. It has long term trading relationships with its key suppliers, who in the UK, on the basis of the customers' preference, are owned by shareholders in the Company.

Finance

The Group is cash generative and has committed banking facilities sufficient to support its existing business for the foreseeable future, taking into account available cash balances.

Environmental matters and social and community issues

Information in relation to these matters and issues are set out in the Corporate and Social Responsibility report.

Principal risks and uncertainties

The business has a formal system to identify, assess and manage the impact of risks on its business. The more significant risks and uncertainties faced by the Group, together with the Group's risk management process are detailed in the Corporate Governance statement.

MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT, PERFORMANCE AND POSITION OF THE GROUP'S BUSINESSES

Key trends and factors

Hilton is a leading specialist meat packing business supplying major international food retailers, from state of the art facilities currently located in five European countries. Private label fresh and value added packed beef, lamb and pork products are individually developed and adapted for each customer and to their local market's requirements. The Group's expansion across Europe has been underpinned by its established track record, together with its growing international reputation and experience and the close partnerships forged with successful retail customers. The countries in which the group operates, its retail partners in those countries and the dates on which each facility commenced packing meat are set out below:

1994 - UK (Tesco)
1999 - Holland (Albert Heijn)
2004 - Ireland (Tesco)
2004 - Sweden (ICA)
2006 - Poland (Ahold and Tesco)

The Group is continuing to achieve growth in all these countries, driven by its retail partners' success, new product and packaging development and the extension of the range of meat products packed for its customers.

Underlying Hilton's past growth has been the consumer trend in most European markets towards convenience and one stop shopping which has led to the growth of the large food retailer chains, together with these retailers' focus on private label, which the Group supplies exclusively.

As the number of retail outlets has continued to shrink through consolidation and the larger retail chains have gained a greater share of the grocery market, these retail chains are increasingly utilising large scale central packing plants capable of producing meat products more efficiently. By shifting to these larger suppliers of pre-packed meat the retailers have effectively chosen to rationalise their supply base, to deliver lower costs and higher food safety and quality standards. This has allowed the retailers to focus on their core business whilst maximising their return on available retail space and these trends are expected to continue. The level of volumetric scale at Hilton's plants enables the levels of unit cost efficiency which become increasingly important in a more challenging economic environment.

These trends and the factors which have underpinned the past growth of the Group's business are expected to continue, albeit that in a far more challenging economic environment, volume growth may moderate in 2009, given the inevitable pressures on consumer spending.

Key strengths

Looking to the future, the Board considers that the key strengths of Hilton's businesses include its people, its customer and supplier relationships, its business model, the quality of its products, its track record and the standard of its facilities, as set out below:

Experienced management teams

The business has strong management across Europe, with self sufficient local management teams, supported by central expertise in key areas, such as raw material and equipment procurement, business development and information technology strategy.

Strong relationships and track record with major international retailers

Hilton has developed strong relationships with its retail partners based on its historical track record, working closely across their organizations and forming an integral and value added part of their supply chains. The Group has demonstrated its ability to adapt its operations to specific local market requirements, having worked alongside its retail customers whilst entering new geographic markets, and has established its reputation as a leading player in dedicated red meat packing across Europe.

A reduced risk business model

The fact that the business does not own any abattoirs gives it the freedom to purchase only those cuts of meat its customers require, which significantly reduces the risk of unwanted or uneconomic cuts. In addition, the Group has the flexibility to choose from a wide international supplier base, comprising the best suppliers, without being tied to

any one meat supplier, so as to enable it to achieve the highest quality and the most competitive purchasing terms as supply and demand and relative currency parities change across countries over time.

An established supply chain

The Group has long established procurement relationships across a range of countries and continents, with a proven record of competitive sourcing of meat and only such integration with its suppliers as required by its retail customers, in order to assure high quality, traceability and food safety standards. Although it is not under a contractual obligation to do so, the Group has principally sourced primal meat in the UK from abattoirs whose owners are also shareholders in Hilton, due to their high standards of supply and its customer's preference. Hilton's global sourcing capability enables it to react swiftly to changing meat values across a range of countries and continents, whether driven by supply and demand factors or changing currency parities.

High volume, efficient and modern facilities

Hilton has a modern and well invested asset base, with production processes operating at the high throughput rates required to deliver competitive unit costs. Through capital investment the Group's total production capacity has been increased significantly in the five years to December 2008. The Board believes that there is sufficient capacity currently in place to meet its customers' anticipated growth in the medium term without further significant investment, excluding normal equipment replacement and expansion by those customers of central packing into new overseas territories.

FORWARD LOOKING STATEMENTS

This Group Business review and the other reports which together comprise the Enhanced Business Review contain forward looking statements that are subject to risk factors associated with, amongst other things, economic and business developments which may occur from time to time in the countries in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but all forward looking statements and forecasts involve risk and uncertainty, simply because they relate to events and depend on circumstances that will occur in the future.

On behalf of the Board.
Nigel Majewski
Finance Director
30 March 2009

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

Consolidated income statement for the year ended 31 December 2008

Continuing operations	Notes	**2008** **£'000**	2007 £'000
Revenue	5	**729,497**	577,734
Cost of sales		**(630,219)**	(495,632)
Gross profit		**99,278**	82,102
Distribution costs		**(7,358)**	(6,299)
Administrative expenses		**(71,710)**	(58,366)
Restructuring and flotation costs		**-**	(1,780)
Operating profit		**20,210**	15,657
Finance income	9	**1,159**	1,433
Finance costs	9	**(4,045)**	(3,416)
Finance costs - net	9	**(2,886)**	(1,983)
Profit before income tax		**17,324**	13,674
Income tax expense	10	**(4,793)**	(4,158)
Profit for the year		**12,531**	9,516

Attributable to:			
Equity holders of the Company		**11,487**	8,820
Minority interest		**1,044**	696
		12,531	9,516

Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic and diluted (pence)	11	**16.5**	12.7

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

Consolidated balance sheet as at 31 December 2008

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**£'000**	£'000	**£'000**	£'000
Assets					
Non-current assets					
Property, plant and equipment	13	**51,325**	42,286	**-**	-
Intangible assets	14	**3,671**	3,987	**-**	-
Investments in subsidiary undertakings	15	**-**	-	**102,985**	102,985
Deferred income tax assets	23	**364**	1,273	**-**	-
		55,360	47,546	**102,985**	102,985
Current assets					
Inventories	17	**19,015**	9,654	**-**	-
Trade and other receivables	18	**78,511**	50,993	**404**	-
Current income tax assets		**-**	-	**522**	404
Cash and cash equivalents	19	**25,785**	20,792	**2**	1
		123,311	81,439	**928**	405
Total assets		**178,671**	128,985	**103,913**	103,390
Equity					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	**6,966**	6,966	**6,966**	6,966
Other reserves		**3,987**	896	**-**	-
Retained earnings		**18,232**	12,039	**121**	25
		29,185	19,901	**7,087**	6,991
Reverse acquisition reserve		**(31,700)**	(31,700)	**-**	-
Merger reserve		**919**	919	**71,019**	71,019
		(1,596)	(10,880)	**78,106**	78,010
Minority interest in equity		**1,752**	367	**-**	-
Total equity		**156**	(10,513)	**78,106**	78,010
Liabilities					
Non-current liabilities					
Borrowings	20	**45,417**	50,302	**-**	-
Deferred income tax liabilities	23	**2,186**	1,580	**-**	-
Trade and other payables	22	**-**	264	**-**	-
		47,603	52,146	**-**	-
Current liabilities					
Borrowings	20	**8,940**	6,682	**-**	-
Trade and other payables	21	**120,869**	78,856	**25,807**	25,380
Current income tax liabilities		**1,103**	1,814	**-**	-
		130,912	87,352	**25,807**	25,380
Total liabilities		**178,515**	139,498	**25,807**	25,380
Total equity and liabilities		**178,671**	128,985	**103,913**	103,390

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

The financial statements were approved by the Board on 30 March 2009 and were signed on its behalf by:
RA Watson, **Director** N Majewski, **Director**

Consolidated statement of changes in equity

		Attributable to equity holders of the Company								
	Notes	**Share capital**	**Other reserves**	**Retained earnings**	**Sub total**	**Reverse acquisition reserve**	**Merger reserve**	**Total**	**Minority interest**	**Total equity**
Group		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2007		200	(102)	29,451	29,549	-	-	29,549	1,288	30,837
Currency translation differences		-	998	-	998	-	-	998	51	1,049
Profit for the year		-	-	8,820	8,820	-	-	8,820	696	9,516
Total recognised income and expense for 2007		-	998	8,820	9,818	-	-	9,818	747	10,565
Dividends paid	12	-	-	(26,232)	(26,232)	-	-	(26,232)	(1,519)	(27,751)
Reverse acquisition of Hilton Foods Limited		6,700	-	-	6,700	(31,700)	-	(25,000)	-	(25,000)
Acquisition of minority shareholding		66	-	-	66	-	919	985	(149)	836
Balance at 31 December 2007		6,966	896	12,039	19,901	(31,700)	919	(10,880)	367	(10,513)
Currency translation differences		**-**	**2,995**	**-**	**2,995**	**-**	**-**	**2,995**	**341**	**3,336**
Profit for the year		**-**	**-**	**11,487**	**11,487**	**-**	**-**	**11,487**	**1,044**	**12,531**
Total recognised income and expense for 2008		**-**	**2,995**	**11,487**	**14,482**	**-**	**-**	**14,482**	**1,385**	**15,867**
Adjustment in respect of employee share scheme		**-**	**96**	**-**	**96**	**-**	**-**	**96**	**-**	**96**
Dividends paid	12	**-**	**-**	**(5,294)**	**(5,294)**	**-**	**-**	**(5,294)**	**-**	**(5,294)**
Balance at 31 December 2008		**6,966**	**3,987**	**18,232**	**29,185**	**(31,700)**	**919**	**(1,596)**	**1,752**	**156**
Company										
Profit for the year		-	-	1,557	1,557	-	-	1,557		
Total recognised income and expense for 2007		-	-	1,557	1,557	-	-	1,557		
Dividends paid	12	-	-	(1,532)	(1,532)	-	-	(1,532)		
Reverse acquisition of Hilton Foods Limited		6,900	-	-	6,900	-	70,100	77,000		
Acquisition of minority shareholding		66	-	-	66	-	919	985		
Balance at 31 December 2007		6,966	-	25	6,991	-	71,019	78,010		
Profit for the year		**-**	**-**	**5,390**	**5,390**	**-**	**-**	**5,390**		
Total recognised income and expense for 2008		**-**	**-**	**5,390**	**5,390**	**-**	**-**	**5,390**		
Dividends paid	12	**-**	**-**	**(5,294)**	**(5,294)**	**-**	**-**	**(5,294)**		
Balance at 31 December 2008		**6,966**	**-**	**121**	**7,087**	**-**	**71,019**	**78,106**		

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

Consolidated cash flow statement for the year ended 31 December 2008

	Notes	Group		Company	
		2008	2007	**2008**	2007
		£'000	£'000	**£'000**	£'000
Cash flows from operating activities					
Cash generated from operations	25	**35,311**	23,591	**-**	-
Interest paid		**(4,912)**	(2,548)	**(1,406)**	(968)
Income tax paid		**(4,711)**	(4,055)	**-**	-
Net cash generated from/(used in) operating activities		**25,688**	16,988	**(1,406)**	(968)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(15,248)**	(10,853)	**-**	-
Proceeds from sale of property, plant and equipment		**192**	4,473	**-**	-
Purchases of intangible assets		**(68)**	(302)	**-**	-
Interest received		**1,158**	1,065	**1**	1
Dividends received		**-**	-	**6,700**	2,500
Net cash (used in)/generated from investing activities		**(13,966)**	(5,617)	**6,701**	2,501
Cash flows from financing activities					
Proceeds from borrowings		**2,915**	47,546	**-**	-
Repayments of borrowings		**(6,312)**	(6,678)	**-**	-
Dividends paid to Company shareholders		**(5,294)**	(26,232)	**(5,294)**	(1,532)
Dividends paid to minority interests		**-**	(1,519)	**-**	-
Reverse acquisition of Hilton Foods Limited		**-**	(25,000)	**-**	-
Net cash used in financing activities		**(8,691)**	(11,883)	**(5,294)**	(1,532)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**3,031**	(512)	**1**	1
Cash, cash equivalents and bank overdrafts at beginning of the year		**20,792**	20,133	**1**	-
Exchange gains on cash, cash equivalents and bank overdrafts		**1,962**	1,171	**-**	-
Cash, cash equivalents and bank overdrafts at end of the year	19	**25,785**	20,792	**2**	1

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

Notes to the financial statements for the year ended 31 December 2008

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 five European countries. The Company's subsidiaries are listed in note 27.

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 6165540.

The Company has its primary listing on the London Stock Exchange.

These consolidated financial statements were approved for issue on 30 March 2009.

The Company has taken advantage of the exemption in section 230 Companies Act 1985 not to publish its individual income statement and related notes. Profit for the year dealt with in the income statement of Hilton Food Group plc amounted to £5,390,172 (2007: £1,557,402).

2. Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of Hilton Food Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC interpretations and the Companies Act 1985 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.

This preliminary announcement does not comprise the Company's statutory accounts for the years to 31 December 2008 and 31 December 2007. The statutory accounts for the year to 31 December 2007 have been delivered to the Registrar of Companies, whereas those for the year to 31 December 2008 will be delivered following the Company's Annual General Meeting. The Company's auditors have issued an unqualified audit opinion in respect of the years ended 31 December 2008 and 31 December 2007.

Basis of consolidation

These consolidated financial statements comprise the financial statements of Hilton Food Group plc ("the Company") and its subsidiaries, together, ("the Group") drawn up to 31 December 2008. 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 purchase 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, plus costs directly attributable to the acquisition. 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.

2. Accounting policies (continued)

International Financial Reporting Standards

(a) Standards, amendments and interpretations effective in 2008

IFRIC 11, ‘IFRS 2 - Group and treasury share transactions’, provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

(b) Standards, amendments and interpretations effective in 2008 but not relevant to the Group or Company’s operations

IFRIC 12, ‘Service concession arrangements’

IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’

(c) Standards, amendments and interpretations to existing standards that are not yet effective, are subject to EU endorsement and have not been early adopted by the Group

IAS 1 (revised), Presentation of financial statements’ (effective 1 January 2009).The amendments provide a number of presentational changes to the financial statements including a new statement of comprehensive income.

IAS 23 (amendment), ‘Borrowing costs’ (effective 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group and Company currently have no such qualifying assets.

IAS 27 (revised), ‘Consolidated and separate financial statements’ (effective 1 July 2009) and IFRS 3 (revised), ‘Business combinations’ (effective 1 July 2009). The amendment to IAS 27 concerns accounting for transactions with non-controlling interests. IFRS 3 (revised) concerns accounting for acquisitions. The Group will apply these revised standards prospectively to transactions with non-controlling interests and business combinations from 1 January 2010 subject to EU endorsement.

IFRS 8, ‘Operating segments’ (effective 1 January 2009). It requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is being assessed in detail by management in advance of future implementation.

IFRS 2 (amendment), ‘Share-based payment’ (effective 1 January 2009). It clarifies vesting conditions and cancellations and is not expected to have a material impact on the Group’s or Company’s financial statements.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Group’s operations

IAS 32 (amendment), ‘Financial Instruments: presentation’ and IAS 1 (amendment), ‘Presentation of financial statements’, Puttable financial instruments and obligations arising on liquidation’ (effective 1 January 2009)

IFRS 1 (amendment), 'First time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements' (effective 1 January 2009)

IFRIC 13, ‘Customer loyalty programmes’ (effective 1 July 2008)

IFRIC 15, ‘Agreements for the construction of real estates’ (effective 1 January 2009)

IFRIC 16, ‘Hedges of a net investment in a foreign operation’ (effective 1 October 2008)

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after eliminating sales within the Group.

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

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

Segment reporting

A business segment is a distinguishable component of the Group that is engaged either in providing products or services and a geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those other segments.

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 as a separate component of equity in other reserves.

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.

2. Accounting policies (continued)

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 lives, as follows:

	Annual Rate
Buildings – Held under finance lease	5%
Buildings – Leasehold improvements	10%
Plant and machinery	14% - 25%
Fixtures and fittings	14% - 25%
Motor vehicles	25%

Land is not depreciated.

The residual value and useful 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 life.

Intangible assets

(a) Goodwill
Goodwill on acquisitions of subsidiaries and purchase of minority 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 minority interest at the date of acquisition.

(b) Computer software
Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their useful economic lives of 3 to 7 years.

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

(c) Product licences
The costs of acquiring product licences are capitalised and amortised on a straight-line basis over their expected useful economic lives of 5 to 10 years.

Impairment of non-financial assets

Assets that have an indefinite useful 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.

2. Accounting policies (continued)

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. It excludes borrowing costs.

Net realisable value represents the estimated selling price less costs to completion and appropriate selling and distribution costs.

Provision is made, where necessary, for slow moving, obsolete and defective inventories.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents

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

Share capital and reserves

Ordinary shares are classified as equity.

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

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

Trade and other payables

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.

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.

2. Accounting policies (continued)

Leases

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

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. The annual rentals under operating leases are charged to the income statement as incurred.

Current and deferred income tax

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 substantially 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.

Pensions and other post-employment benefits

The Group operates defined contribution schemes for certain employees in the UK, the Republic of Ireland and the Netherlands 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 defined benefit schemes for its employees. These schemes are national industry-wide schemes and they will not provide contributing companies with sufficient information to allow each company to ascertain its share of the schemes' assets and liabilities. Accordingly the Group has accounted for these schemes as defined contribution schemes. The contributions are recognised as an employee benefit expense when they are due.

Share based compensation

The Group operates a share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. 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.

2. Accounting policies (continued)

Grants

Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and all attaching conditions have been complied with.

Capital grants received and receivable by the Group are credited to deferred income and are amortised to the income statement on a straight line basis over the expected useful economic lives of the assets to which they relate.

Revenue grants are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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 Company's shareholders.

Significant items

Significant items are those which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price 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.

(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 and the Polish Zloty although such risk is mitigated as natural hedges exist in each operation through matching local currency cash flows. The Group regularly monitors foreign exchange exposure and to date has deemed it not appropriate to hedge its foreign exchange position.

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

(iv) Sensitivity analysis

	2008		2007	
	Income statement	**Equity**	Income statement	Equity
Group	**£'000**	**£'000**	£'000	£'000
Annual effect of a change in Group wide interest rates by 0.5%	**+ 128 - 128**	**+ 128 - 128**	+ 167 - 142	+ 167 - 142

Annual effect of a change in exchange rates to the GBP £ by 10%	**+ 1,196** **- 979**	**+ 2,702** **- 2,211**	+ 823 - 748	+ 1,229 - 1,117

3. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk in respect of credit exposures to its retail customer partners and banking arrangements. The Group 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 from retail customer partners is £70.7m (2007: £46.4m) as stated in note 18.

(c) Liquidity risk

The Group has significant cash and cash equivalents and maintains a mix of long-term and short term debt finance; accordingly the Group's exposure to liquidity risk is not considered significant. The Board regularly reviews its banking facilities and cash flow forecasts. The maturity of the Group's financial liabilities is stated in note 20.

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 the gearing ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown on the consolidated balance sheet) less cash and cash equivalents. EBITDA is calculated as operating profit before significant non-recurring items, interest, tax, depreciation and amortisation. As the gearing ratio is well within acceptable limits and continuing to improve no further action has been required.

Fair value estimation

The carrying value less impairment provision of trade receivables and 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.

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.

During the years ended 31 December 2007 and 31 December 2008 there were no critical accounting estimates or judgements in relation to the application of the Group's accounting policies.

5. Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Based on an analysis of risks and returns, the Directors consider that the Group has only one identifiable business segment, wholesaling of meat. The 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.

Based on an analysis of risks and returns, the Directors consider that the Group has two identifiable geographical segments. The main geographical area in which the Group's operations are carried out is Western Europe. The other geographical area that the Group's operations are carried out in does not meet the definition of a reportable segment in IAS 14 and therefore the revenues, results, assets and liabilities arising from the operations carried out in this geographical area have been included in 'Other'.

Consequently the Group's primary reporting format is by geographical segmentation. Secondary format disclosures are not appropriate. The analyses in the tables below are based on the location of customers.

The segment results are as follows:

	Western Europe £'000	**Other £'000**	**Unallocated £'000**	**2008 Total £'000**	Western Europe £'000	Other £'000	Unallocated £'000	2007 Total £'000
Total segment revenue	**679,676**	**49,821**	**-**	**729,497**	551,836	25,898	-	577,734
Operating profit / segment result	**18,953**	**1,257**	**-**	**20,210**	16,781	656	(1,780)	15,657
Finance income				**1,159**				1,433
Finance costs				**(4,045)**				(3,416)
Finance costs – net				**(2,886)**				(1,983)
Profit before income tax				**17,324**				13,674
Income tax expense				**(4,793)**				(4,158)
Profit for the year				**12,531**				9,516

Other segment items included in the income statement are as follows:

	Western Europe £'000	**Other £'000**	**2008 Total £'000**	Western Europe £'000	Other £'000	2007 Total £'000
Depreciation	**10,752**	**1,230**	**11,982**	8,802	828	9,630
Amortisation	**614**	**282**	**896**	1,178	186	1,364

The segment assets and liabilities at 31 December and capital expenditure for the year then ended are as follows:

	Western Europe £'000	**Other £'000**	**Unallocated £'000**	**2008 Total £'000**	Western Europe £'000	Other £'000	Unallocated £'000	2007 Total £'000
Total assets	**161,917**	**16,390**	**364**	**178,671**	116,273	11,439	1,273	128,985
Total liabilities	**(110,575)**	**(10,294)**	**(57,646)**	**(178,515)**	(72,067)	(7,053)	(60,378)	(139,498)
Capital expenditure	**14,103**	**1,213**	**-**	**15,316**	10,410	745	-	11,155

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise deferred income tax assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise deferred income tax liabilities, current income tax liabilities and borrowings.

6. Auditors remuneration

Services provided by the Company's auditor and its associates

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

Group	**2008** **£'000**	2007 £'000
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**133**	110
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries pursuant to legislation	**119**	94
- Other services pursuant to legislation	**43**	57
- Services relating to taxation	**132**	39
- Services relating to restructuring and flotation	**-**	362
- All other services	**35**	32
Total fees payable to the Company's auditor and its associates	**462**	694
Fees payable to other auditors in respect of services provided to subsidiary undertakings	**61**	54

7. Expenses by nature

Group	**2008** **£'000**	2007 £'000
Changes in inventories of finished goods and work in progress	**7,875**	118
Raw materials and consumables used	**583,159**	461,726
Employee benefit expense (note 8)	**43,327**	36,209
Depreciation, amortisation and impairment charges – owned assets	**12,694**	10,810
Depreciation, amortisation and impairment charges – leased assets	**184**	184
Release of deferred income in respect of government grants	**(127)**	(109)
Repairs and maintenance expenditure on property, plant and equipment	**9,208**	7,827
Trade receivables – impairment	**88**	203
Hire of plant and machinery	**683**	595
Transportation expenses	**7,292**	5,758
Operating lease payments	**5,036**	3,879
Foreign exchange (gains)	**(576)**	(338)
Other expenses	**40,444**	33,435
Total cost of sales, distribution costs and administrative expenses	**709,287**	560,297

8. Employee benefit expense

Group	2008 £'000	2007 £'000
Staff costs during the year		
Wages and salaries	**35,872**	29,674
Social security costs	**6,167**	5,699
Share options granted to Directors and senior employees	**96**	-
Pension costs – defined contribution plans	**1,192**	836
	43,327	36,209

	Number	Number
Average number of persons employed (including executive directors) during the year by activity		
Production	**1,217**	1,104
Administration	**300**	283
	1,517	1,387

	Directors' emoluments		Key management compensation (including directors)	
	2008	2007	2008	2007
Group	£'000	£'000	£'000	£'000
Salaries and short term employee benefits	**2,205**	1,425	**3,338**	2,391
Pension costs – defined contribution plans	**111**	105	**198**	198
	2,316	1,530	**3,536**	2,589

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

There are no other employees of the Company other than the directors. Employee expense of the Company amounted to £nil (2007: £nil).

9. Finance income and costs

Group	2008 £'000	2007 £'000
Finance income:		
Interest income on short-term bank deposits	**1,111**	837
Exchange gains on foreign currency borrowings	**-**	160
Interest on income taxes	**48**	436
Finance income	**1,159**	1,433
Interest expense:		
Bank borrowings	**(3,730)**	(3,131)
Finance leases	**(226)**	(198)
Other interest expense	**(89)**	(87)
Finance costs	**(4,045)**	(3,416)
Finance costs – net	**(2,886)**	(1,983)

10. Income tax expense

Group	2008 £'000	2007 £'000
Current income tax		
Current tax on profits for the year	**4,460**	4,028
Adjustments to tax in respect of previous years	**(1,059)**	(37)
Total current tax	**3,401**	3,991
Deferred income tax		
Origination and reversal of temporary differences	**557**	185
Adjustments to tax in respect of previous years	**835**	(18)
Total deferred tax	**1,392**	167
Income tax expense	**4,793**	4,158

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 28.5% (2007: 30%) applied to profits of the consolidated entities as follows:

	2008 £'000	2007 £'000
Profit before income tax	**17,324**	13,674
Tax calculated at the standard rate of UK Corporation Tax 28.5% (2007: 30%)	**4,937**	4,102
Expenses not deductible for tax purposes	**215**	265
Adjustments to tax in respect of previous years	**(554)**	(55)
Profits taxed at rates other than 28.5% (2007: 30%)	**(585)**	(154)
Withdrawal of UK Industrial Buildings Allowances	**854**	-
Other	**(74)**	-
Income tax expense	**4,793**	4,158

11. Earnings per share

Basic and diluted

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Group	2008	2007
Profit attributable to equity holders of the Company (£'000)	**11,487**	8,820
Weighted average number of ordinary shares in issue (thousands)	**69,657**	69,657
Basic and diluted earnings per share (pence)	**16.5**	12.7
Basic and diluted earnings per share before restructuring and flotation costs of £nil (2007: £1,780,000 less tax relief of £150,000) (pence)	**16.5**	15.0

12. Dividends

Group	2008 £'000	2007 £'000
Interim dividend paid 2.4p per ordinary share (2007: 2.2p)	**1,672**	1,532
Final dividend in respect of 2007 paid 5.2p per ordinary share	**3,622**	-
Other dividend paid on ordinary shares (2007: 35.5p) per ordinary share	**-**	24,700
Total dividends paid	**5,294**	26,232

The directors propose a final dividend of 5.74 pence per share payable on 3 July 2009 to shareholders who are on the register at 5 June 2009. This final dividend, amounting to £4.0m has not been recognised as a liability in these consolidated financial statements.

13. Property, plant and equipment

Group	Land and buildings (including leasehold improvement) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2007	20,350	56,155	6,067	286	82,858
Exchange adjustments	561	3,320	263	10	4,154
Additions	2,641	6,631	1,241	151	10,664
Disposals	(4,000)	(431)	(75)	(78)	(4,584)
Transfers	(2,131)	2,105	26	-	-
At 31 December 2007	17,421	67,780	7,522	369	93,092
Accumulated depreciation					
At 1 January 2007	4,822	31,166	3,205	89	39,282
Exchange adjustments	139	1,870	146	3	2,158
Charge for the year	1,021	7,406	1,110	93	9,630
Disposals	-	(184)	(28)	(52)	(264)
Transfers	3	(3)	-	-	-
At 31 December 2007	5,985	40,255	4,433	133	50,806
Net book amount					
At 31 December 2007	11,436	27,525	3,089	236	42,286
Cost					
At 1 January 2008	**17,421**	**67,780**	**7,522**	**369**	**93,092**
Exchange adjustments	**2,380**	**10,747**	**664**	**9**	**13,800**
Additions	**2,982**	**11,257**	**1,001**	**8**	**15,248**
Disposals	**(52)**	**(908)**	**(79)**	**(9)**	**(1,048)**
At 31 December 2008	**22,731**	**88,876**	**9,108**	**377**	**121,092**
Accumulated depreciation					
At 1 January 2008	**5,985**	**40,255**	**4,433**	**133**	**50,806**
Exchange adjustments	**604**	**6,581**	**375**	**2**	**7,562**
Charge for the year	**1,285**	**9,436**	**1,180**	**81**	**11,982**
Disposals	**-**	**(547)**	**(32)**	**(4)**	**(583)**
At 31 December 2008	**7,874**	**55,725**	**5,956**	**212**	**69,767**
Net book amount					
At 31 December 2008	**14,857**	**33,151**	**3,152**	**165**	**51,325**

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

	2008 £'000	2007 £'000
Cost – capitalised finance leases	**3,985**	3,188
Accumulated depreciation	**(986)**	(667)
Net book amount	**2,999**	2,521

Included in assets held under finance leases are land and buildings with a net book amount of £2,958,000 (2007: £2,437,000) and plant & machinery with a net book amount of £41,000 (2007: £84,000).
Land and buildings are held under short leaseholds.
Details of bank borrowings secured on assets of the Group are given in note 20.

14. Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2007	6,149	2,149	-	8,298
Exchange adjustments	584	196	-	780
Additions	-	302	836	1,138
At 31 December 2007	6,733	2,647	836	10,216
Accumulated amortisation				
At 1 January 2007	3,941	410	-	4,351
Exchange adjustments	451	63	-	514
Charge for the year	990	374	-	1,364
At 31 December 2007	5,382	847	-	6,229
Net book amount				
At 31 December 2007	1,351	1,800	836	3,987
Cost				
At 1 January 2008	**6,733**	**2,647**	**836**	**10,216**
Exchange adjustments	**1,987**	**299**	**-**	**2,286**
Additions	**-**	**68**	**-**	**68**
At 31 December 2008	**8,720**	**3,014**	**836**	**12,570**
Accumulated amortisation				
At 1 January 2008	**5,382**	**847**	**-**	**6,229**
Exchange adjustments	**1,669**	**105**	**-**	**1,774**
Charge for the year	**400**	**496**	**-**	**896**
At 31 December 2008	**7,451**	**1,448**	**-**	**8,899**
Net book amount				
At 31 December 2008	**1,269**	**1,566**	**836**	**3,671**

The net book amount of goodwill relates entirely to a 2.5% shareholding in Hilton Food Group (Europe) Limited, the cash generating unit (CGU). An impairment review of goodwill and other assets has been carried out in accordance with IAS 36, 'Impairment of assets'.

The recoverable amount of the CGU is determined on value-in-use calculations. These calculations use pre-tax cash flow projections covering a 5 year period. The growth rate used is not more than 10%, being representative of the average growth rate achieved by the Group in recent years. The rate used to discount the future cash flows is the Group's internal hurdle rate for capital projects of 11%. This approximates to applying a pre-tax discount rate to pre-tax cash flows.

15. Investments in subsidiary undertakings

Company	**2008** **£'000**	2007 £'000
At 1 January	**102,985**	-
Additions in year:		
Reverse acquisition of Hilton Foods Limited – at fair value	**-**	102,000
Acquisition of minority shareholding in Hilton Food Group (Europe) Limited – at fair value	**-**	985
At 31 December	**102,985**	102,985

Details of subsidiary undertakings are shown in note 27.

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

16. Financial instruments by category

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

	Loans and receivables	
Group	**2008**	2007
Assets as per balance sheet	**£'000**	£'000
Trade and other receivables	**78,511**	50,993
Cash and cash equivalents	**25,785**	20,792
	104,296	71,785

	Other financial liabilities at amortised cost	
Group	**2008**	2007
Liabilities as per balance sheet	**£'000**	£'000
Trade and other payables	**120,869**	79,120
Borrowings	**54,357**	56,984
	175,226	136,104

In addition to the above amounts owed to the Company by Group undertakings of £404,000 (2007: nil) are classified as 'loans and receivables' and amounts owed by the Company to Group undertakings of £25,341,000 (2007: £25,380,000) are classified as 'other financial liabilities' at amortised cost.

17. Inventories

Group	**2008** **£'000**	2007 £'000
Raw materials and consumables	**14,046**	7,576
Finished goods and goods for resale	**4,969**	2,078
	19,015	9,654

The cost of inventories recognised as an expense and included in cost of sales amounted to £591,034,000 (2007: £461,844,000).

The Group charged £652,000 in respect of inventory write-downs in the year ended 31 December 2008 (2007: release of £164,000). The amount charged has been included in cost of sales in the income statement.

18. Trade and other receivables

Group	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade receivables	**70,079**	46,589	**-**	-
Less: provision for impairment of trade receivables	**(69)**	(197)	**-**	-
Trade receivables – net	**70,010**	46,392	**-**	-
Amounts owed by Group undertakings	**-**	-	**404**	-
Amounts owed by related parties (see note 28)	**642**	-	**-**	-
Other receivables	**4,125**	1,724	**-**	-
Prepayments	**3,734**	2,877	**-**	-
	78,511	50,993	**404**	-

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

Currency	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
UK Pound	**15,691**	8,566	**404**	-
Swedish Krona	**18,924**	14,320	**-**	-
Euro	**38,699**	25,466	**-**	-
Polish Zloty	**5,197**	2,641	**-**	-
	78,511	50,993	**404**	-

The fair values of trade and other receivables are the same as their carrying value. The maximum exposure to credit risk at 31 December 2008 is the fair value of each class of receivable mentioned above.

Trade receivables impaired and the amount of the impairment provision as at 31 December 2008 was £69,000 (2007: £197,000). The individually impaired receivables mainly relate to invoices which are in dispute. It was assessed that a portion of the receivables is expected to be recovered. The trade receivables that were impaired were all overdue by more than 6 months. There were no other trade receivables which were overdue. The other classes within trade and other receivables do not contain impaired assets. The trade receivables which are not impaired or overdue are all less than 30 days old.

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

Group	2008 £'000	2007 £'000
At 1 January	**197**	65
Provision for receivables impairment	**88**	203
Receivables written off during the year as uncollectable	**(278)**	(86)
Exchange differences	**62**	15
At 31 December	**69**	197

19. Cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Cash at bank and on hand	**25,785**	20,792	**2**	1

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Cash at bank and on hand	**25,785**	20,792	**2**	1
Bank overdrafts	**-**	-	**-**	-
	25,785	20,792	**2**	1

20. Borrowings

	2008	2007
Group	**£'000**	£'000
Current		
Bank borrowings	**8,820**	6,577
Finance lease liabilities	**120**	105
	8,940	6,682
Non-current		
Bank borrowings	**41,825**	47,445
Finance lease liabilities	**3,592**	2,857
	45,417	50,302
Total borrowings	**54,357**	56,984

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:

	2008	2007
Currency	**£'000**	£'000
UK Pound	**42,733**	46,935
Swedish Krona	**2,265**	3,642
Euro	**9,359**	6,407
	54,357	56,984

The Group reorganisation loan of £42,717,000 (2007: £46,880,000) is repayable in quarterly instalments by 28 February 2013. Interest is charged at LIBOR plus 0.75% to 1.25% subject to interest rate caps over £30m of borrowings where LIBOR is capped at 6.5%. Other bank borrowings are repayable by 2010 to 2013 with interest charged at bank base rate plus 0.7% to 1%.

Bank borrowings totalling £50,645,000 (2007: £54,022,000) 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.

20. Borrowings (continued)

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

Group	2008 £'000	2007 £'000
Less than one year	**11,253**	9,941
Between one and two years	**9,478**	9,921
Between two and five years	**37,199**	22,534
Later than five years	**4,998**	30,537
	62,928	72,934

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

	Minimum lease payments		Present value	
Group	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
No later than one year	**374**	305	**120**	105
Later than one year and no later than five years	**1,516**	1,128	**518**	362
Later than five years	**4,498**	3,867	**3,074**	2,495
	6,388	5,300	**3,712**	2,962
Future finance charges on finance leases	**(2,676)**	(2,338)	**-**	-
Present value of finance lease liabilities	**3,712**	2,962	**3,712**	2,962

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 £5,671,000 (2007: £3,700,000). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 1.5% (2007: 4%).

21. Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Trade payables	**79,876**	54,545	**-**	-
Amounts owed to Group undertakings	**-**	-	**25,341**	25,380
Amounts owed to related parties (see note 28)	**15,757**	11,079	**-**	-
Social security and other taxes	**2,855**	406	**-**	-
Deferred consideration	**313**	389	**-**	-
Accruals and deferred income	**22,068**	12,437	**466**	-
	120,869	78,856	**25,807**	25,380

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

22. Trade and other payables (non-current liabilities)

Group	2008 £'000	2007 £'000
Deferred consideration	**-**	220
Accruals and deferred income	**-**	44
	-	264

The fair value of non-current trade and other payables is not materially different to their carrying value.

23. Deferred income tax

The movement in deferred income tax assets and liabilities during the year is as follows:

Group	Accelerated capital allowances £'000	Other timing differences £'000	Deferred income tax assets total £'000	Deferred income tax liabilities Accelerated capital allowances £'000
At 1 January 2007	1,219	-	1,219	(1,300)
Exchange differences	-	-	-	(59)
Income statement charge	(38)	92	54	(221)
At 31 December 2007	1,181	92	1,273	(1,580)
Exchange differences	**22**	**-**	**22**	**(145)**
Income statement charge	**(891)**	**(40)**	**(931)**	**(461)**
At 31 December 2008	**312**	**52**	**364**	**(2,186)**

24. Share capital

	Group		**Company**	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Authorised				
100,000,000 ordinary shares of 10 pence each	**10,000**	10,000	**10,000**	10,000
Allotted and fully paid				
69,656,667 ordinary shares of 10 pence each	**6,966**	6,966	**6,966**	6,966

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

Executive share option scheme

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

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

	2008		2007	
	Exercise price (pence)	**Options ('000)**	Exercise price (pence)	Options ('000)
At 1 January	**-**	**-**	**-**	-
Granted 12 May 2008	**199.5**	**1,279**	**-**	-
At 31 December	**199.5**	**1,279**	**-**	-

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was 41 pence per option. The significant inputs into the model were the exercise price shown above, volatility of 30% based on a comparison of similar listed companies, dividend yield of 4%, an expected option life of four years, and an annual risk-free interest rate of 4.4%. See note 8 for the total expense recognised in the income statement for share options granted to Directors and senior employees.

25. Cash generated from operations

Group	2008 £'000	2007 £'000
Profit before income tax	**17,324**	13,674
Adjustments for:		
- Depreciation	**11,982**	9,630
- Amortisation of intangible assets	**896**	1,364
- Loss on disposal of property, plant and equipment	**273**	36
- Finance costs – net	**2,886**	1,983
- Amortisation of government grants	**(153)**	(104)
- Adjustment in respect of employee share scheme	**96**	-
Changes in working capital:		
- Inventories	**(7,875)**	442
- Trade and other receivables	**(17,573)**	(5,490)
- Prepaid expenses	**(413)**	(1,295)
- Trade and other payables	**20,795**	4,914
- Accrued expenses	**7,073**	(1,563)
Cash generated from operations	**35,311**	23,591

The parent company has no operating cash flows.

26. Commitments

(a) Capital commitments

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

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Property, plant and equipment	**84**	472	**-**	-

(b) Operating lease commitments

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

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

	Land and buildings		Plant and equipment	
	2008	2007	**2008**	2007
Group	**£'000**	£'000	**£'000**	£'000
No later than one year	**4,939**	4,185	**631**	525
Later than one year and no later than five years	**10,515**	11,265	**981**	1,196
Later than five years expiring 2013 to 2023	**6,799**	8,627	**-**	32
	22,253	24,077	**1,612**	1,753

27. Subsidiary undertakings

The principal subsidiary undertakings of the Group at 31 December 2008 were:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	Proportion of ordinary shares held by Parent	Group
Hilton Meats (Retail) Limited	Northern Ireland	Specialist meat packing	-	100%
Hilton Meats Zaandam BV	The Netherlands	Specialist meat packing	-	80%
Hilton Foods (Ireland) Limited	Republic of Ireland	Specialist meat packing	-	100%
HFG Sverige AB	Sweden	Specialist meat packing	-	100%
Hilton Foods Limited Sp zoo	Poland	Specialist meat packing	-	100%
Hilton Foods Limited	Northern Ireland	Holding company	100%	-
Hilton Meats Holland Limited	Northern Ireland	Holding company	-	80%
Hilton Food Group (Europe) Limited	Northern Ireland	Holding company	-	100%

All undertakings prepare accounts to 31 December and are included in the Company's consolidated financial statements. The Company's voting rights in its subsidiary undertakings are the same as its effective interest in its subsidiary undertakings.

28. 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:

	Sales		**Purchases**	
	2008	2007	**2008**	2007
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**642**	-	**73,281**	70,097
Romford Wholesale Meats Limited	**-**	-	**44,344**	42,311
RWM Dorset Limited	**-**	-	**24,218**	16,678
Foyle Food Group Limited	**-**	-	**36,413**	35,384

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

	Owed from related parties		**Owed to related parties**	
	2008	2007	**2008**	2007
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**642**	-	**6,735**	3,908
Romford Wholesale Meats Limited	**-**	-	**4,259**	2,458
RWM Dorset Limited	**-**	-	**1,139**	1,412
Foyle Food Group Limited	**-**	-	**3,624**	3,301
	642	-	**15,757**	11,079

The ultimate shareholders of all of the above companies have an interest in the share capital of the Company.

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

	2008	2007
Company	**£'000**	£'000
Hilton Foods Limited – dividend received	**6,700**	2,500
Hilton Foods Limited – interest expense	**1,833**	1,348
Hilton Meats (Retail) Limited – tax on group relief	**404**	-

At the year end £25,341,000 (2007: £25,380,000) was owed to Hilton Foods Limited and £404,000 (2007: nil) was owed by Hilton Meats (Retail) Limited.