Hilton Food Group plc

31 March 2010

Hilton Food Group plc

Preliminary results for 2009

A year of strong strategic progress

Hilton Food Group plc, Europe's leading specialist retail meat packing business supplying major international food retailers, announces its results for 2009. Please note that the results for 2009 comprise 53 weeks as compared to 52 weeks in the previous year.

FINANCIAL HIGHLIGHTS

	2009 53 weeks to 3 January 2010	**2008** 52 weeks to 28 December 2008	**%** **Change**
Revenue	£826.1m	£729.5m	+13.2
Operating profit	£21.7m	£20.2m	+7.5
Profit before tax	£20.1m	£17.3m	+15.8
Basic earnings per share	20.1p	16.5p	+21.8
Closing net debt	£20.6m	£28.6m	-28.0
Dividends paid and proposed in respect of 2009	9.36p	8.14p	+15.0

Note: The key 2009 figures for a 52 week period would have been as follows:

Revenue - £812.7m (+ 11%)
Operating Profit - £21.3m (+6%)
Profit before tax - £19.7m (+14%)
Basic earnings per share – 19.7p (+19%)

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BUSINESS HIGHLIGHTS

- Volume increase of 14% achieved in challenging market conditions (12% on a 52 week basis)
- Strong cash generation, enabling continued investment in equipment and facilities
- Robust balance sheet, with net debt reduced from £28.6m to £20.6m and no re-financing requirement until 2015
- Recent strategic initiatives performing well. In Ireland volumes are building in the bacon and sausage business started in 2008. The supply of spreadable meats in Holland has started strongly in 2009
- Further strong revenue and volume growth achieved in Central Europe, with Hilton's facility in Tychy, southern Poland, now supplying Rimi stores in Latvia and Lithuania
- Long Term Supply Agreement signed with Coop Danmark A/S in November 2009, continuing the Group's track record of European expansion. Production from the new facility is expected to start in the second quarter of 2011

Note: All growth figures are reported on a 53 week basis unless otherwise stated.

Commenting, Robert Watson OBE, Chief Executive said:

"Against a very challenging economic backdrop, I am pleased to report that 2009 has been another successful year for the Group, confirming the resilience of the Group's underlying business model. Trading has been strong and further geographical expansion has been secured. Good volume and turnover growth was achieved across the range of territories in which Hilton operates, during a year which saw success achieved with new product initiatives and continued investment in our facilities across Europe.

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Hilton Food Group plc

Chairman's statement

I am pleased to be able to report that in 2009 we made good progress against our key strategic objectives as well as delivering another strong trading performance. We have expanded into Latvia and Lithuania, supplying a new customer in those countries from our facility in Poland, where volumes once again grew strongly. Near the end of the year a major new contract was secured with Coop Danmark for a new plant which will come on stream in 2011. New product initiatives have also performed well, notably in Holland and Ireland.

The Group now supplies ten different countries across Europe and has achieved continuing sales and volume growth in each of them, whilst continuing to generate the levels of cash flow required both for continued capital investment to secure its future growth and to be able to maintain a progressive dividend policy for its shareholders.

OVERVIEW OF RESULTS

In 2009 Hilton Food Group increased volumes of meat packed for its customers by 14%, with revenue rising by over 13% to £826.1m. Revenue growth reflected the volume gain achieved, with the impact of a higher percentage of lower priced mince and pork products being largely offset by favourable currency movements over the year. These increases reflected turnover and volume growth across all the ten countries in which the Group operates.

The strongest expansion was achieved at our businesses in Central Europe, Holland and Ireland, reflecting both the success of new product initiatives and new customer gains. A large proportion of our business is now conducted outside the UK, with geographic expansion having been a key element in Hilton's strategy. The spread of the Group's businesses across a range of countries in Continental Europe represents an added and significant strength.

Profit before taxation rose by 16%, from £17.3m to £20.1m. Interest cover was 13 times (2008:7 times). Basic earnings per share were 20.1p in 2009 (2008: 16.5p), the increase of 22% reflecting increased operating profit, reduced interest costs and a lower effective taxation rate.

Cash generated from operating activities in 2009 was £33.2m, which enabled a reduction in net year end borrowings to £20.6m, from £28.6m at the end of 2008. This level of cash generation enables us to continuously improve and develop our facilities, whilst providing a sound platform from which to finance future geographical and product range expansion on competitive terms. Net capital expenditure of £12.1m during the year included the investment required to facilitate the continued Central European expansion and enable the launch of spreadable meat products in Holland. There was also continued investment at all our sites, designed to drive efficiency gains, to take advantage of available advances in packing technology and enable continued volume growth, in line with our customers' growth plans.

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

OUR PEOPLE

The continued progress we have made in 2009 would not have been possible without our dedicated and talented management teams and workforces in every country. We have over 1,600 full time employees in five separate country business units, with each location operating on the basis of detailed daily, weekly and monthly reporting routines that ensure that all employees at each site are constantly aware of the need to meet our key business priorities. The Board understands and appreciates just how much our progress owes to their effort, personal commitment, enthusiasm, enterprise and initiative. I would like to take this opportunity on behalf of the Board to thank all our employees across Europe for their hard work and commitment during 2009.

GORDON SUMMERFIELD CBE

It is with great sadness that I have to report the death of our late Non-Executive Chairman on 15 March 2010. Gordon was highly respected throughout the food and agricultural industries and under his chairmanship the Company was successfully floated on the London Stock Exchange three years ago. He was an inspirational leader and will be greatly missed by us all.

YOUR BOARD

There have been no other changes in the composition of the Board since the Company's flotation in early 2007. The Board is able to draw on a wide range of skills and depth of practical experience which is available

to support our management teams which supply customers in ten European countries. I would like to take this opportunity to thank my colleagues for their continued support.

STRATEGY

The Group continued to pursue its key strategic goal of geographical expansion, adding a new customer in the Baltic states from its facility in Poland and a major new contract in Denmark. Further volume growth in 2009, driven by the success of new product initiatives and new customer gains, has secured increased economies of scale, directly benefiting both the Group and its customers. A rigorous focus on containing unit packing costs and improving operational efficiencies has enabled the Group to play a fully pro-active role in supporting its customers, who have successfully faced challenging trading conditions across Europe during 2009.

SHAREHOLDER RETURNS AND DIVIDENDS

The Board decided that it was in the interests of shareholders to pay a second interim dividend of 5.54p per ordinary share on 1 April 2010. This, combined with the first interim dividend of 2.6p per ordinary share paid in December 2009, made the total dividends paid, in respect of 2009, 8.14p per ordinary share.

We aim to maintain a progressive dividend policy that provides an appropriate return to shareholders and a dividend level that grows broadly in line with the underlying earnings of the Group. I am pleased to report that the Board is recommending a final dividend of 1.22p per ordinary share in respect of 2009. This, together with the two interim dividends already declared, represents a 15% increase over last year. The final dividend, if approved by shareholders, will be paid on 2 July 2010 to shareholders on the register on 4 June 2010 and the shares will be ex dividend on 2 June 2010.

OUTLOOK

Hilton's growth has been achieved to date by a combination of geographical expansion and continuing progress in each country in which the Group operates. Volume growth continued at 14% in 2009. There are some signs that the worst of the recessions in most European countries may now be over and growth is expected to continue, albeit that the pace of the expected overall economic recovery will, inevitably, differ widely across the ten countries in which the Group's customers are located.

Whilst our business can never be insulated from the economic and competitive climate prevailing in the countries in which each of our customers operate, the Board expects, with a sound business model, prudent financing arrangements, a well invested asset base and successful customers, to achieve further progress in 2010. The Group has commenced the new financial year in line with management expectations and is well placed to continue its successful development.

Sir David Naish DL
Non-Executive Chairman
30 March 2010

Hilton Food Group plc

Chief Executive's summary

2009 has been a successful year over which the Hilton Food Group has achieved continuing growth across each of the five countries in which it currently operates central meat packing plants. Measured in terms of both sales and profit growth, our performance has remained strong, over a year which, in terms of overall macroeconomic conditions, has probably been the most challenging faced for many decades across Europe. We have continued to invest to improve the operational efficiency of our packing plants, expand and develop our product ranges and put in place the required capacity for anticipated future growth.

OVERVIEW OF OPERATING PERFORMANCE BY BUSINESS SEGMENT

Western Europe

Operating profit of £19.4m (2008: £18.9m) on turnover of £755.7m (2008: £679.7m)

Western Europe covers the Group's businesses in the UK, Ireland, Holland and Sweden. Continued progress was made across all four businesses during 2009, with the Group continuing to achieve growth in all the markets it supplies, despite the challenging economic background. Volume growth was 9.4%, with turnover growth of 11.2% reflecting the volume growth and the fact that the negative effect on unit selling prices of a higher proportion of lower priced mince and pork products was more than offset by the positive effect of operating in countries whose currencies have been stronger than sterling. The volume gains were driven to a material extent in 2009 by new product initiatives, including the first full year of the bacon and sausage business in Ireland and the launch of spreadable meats in Holland in 2009.

The new contract concluded for Denmark, which is expected to commence production in the second quarter of 2011, is a logical extension of this business segment, combining a successful customer operating in a marketplace where consumers continuously seek value for money and high quality meat products, backed by high levels of food safety assurance and dependable product integrity.

Central Europe

Operating profit of £2.3m (2008: £1.3m) on turnover of £70.4m (2008: £49.8m)

Central Europe comprises the Group's rapidly expanding meat packing business, supplied from its packing plant in Tychy, in southern Poland. Volume growth of 52.9% was achieved in 2009, with turnover growth of 41.3%, reflecting the volume growth offsetting a higher proportion of lower priced pork and mince lines. This business supplies Ahold stores in Czech Republic and Slovakia, Tesco stores in Hungary, Czech Republic, Poland and Slovakia and, for the first time in 2009, Rimi stores in Latvia and Lithuania.

Volumes expanded strongly over the year, but, as in previous years, there were unavoidable start up costs involved in supplying new customer channels, initially at very low volumes and with high unit costs. The strong volume growth achieved in this relatively complex multi-customer business has been the key to achieving the low levels of unit packing costs, which are an essential requirement for our customers to be able to compete strongly in these developing markets.

Note: The results for 2009 comprised 53 weeks, as compared to 52 weeks in the previous year. Where appropriate overall growth rates for the Group are provided on a comparable 52 week basis.

CONTINUED INVESTMENT

Hilton operates a business in which it is vital to keep unit packing costs as low as possible, by increasing volumes of meat packed, so as to be able to operate its packing plants at the highest achievable levels of volumetric utilisation, whilst continuously improving product quality. Modern, state of the art facilities are the key to achieving these objectives. Over the six years to December 2009 capital expenditure on the Group's packing facilities has totalled £92m, the larger part of which has been spent on major capacity expansion projects, replacement of equipment with the most efficient currently available packing technology and new product development initiatives.

In meat packing, machine productivity, in terms of the number units that can be packed in a given timeframe and the levels of product quality that can be achieved, improve continuously over time and therefore a carefully scheduled re-investment programme is required to keep unit costs as low, and product quality as high, as can be achieved.

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NEW PRODUCT DEVELOPMENT

A key element of our strategy is innovation, both to ensure we can meet changing consumer needs and to adapt our businesses to reduce costs and increase efficiencies and capacities. Our product development teams at each site are continuously involved in a wide range of new product and packaging developments, which, together with extending and adapting the ranges of products packed for our customers, can serve to further increase the volumetric utilisation of these packing facilities and achieve lower unit packaging costs. These activities are always ongoing, with recent examples being the expansion into bacon and sausage products in Ireland and the launch of spreadable meat products in Holland.

PARTNERSHIPS

Hilton's growth has been underpinned historically by its strong long term relationships with its successful retail partners, with whom the Group continues to work very closely to deliver high service levels, consistent and high product quality, product innovation and high levels of food safety and product integrity assurance. This has enabled the Group to continue to increase volumes and progressively reduce unit packing costs, which becomes vital in periods in which consumer spending comes under pressure. The strength of these long term partnerships has been the key driver of our growth since the Group was formed and will continue to underpin the Group's strategy.

Our future expansion into Denmark is in line with past geographical expansion, in that we have the potential to deliver major benefits for our partner, whilst building a strong, dependable and growing business for the Group. As with our other partnerships, we will take the time required to gain an in depth knowledge of the needs of our customer, together with the specific requirements of their local market, to ensure our production configuration is optimised to meet their needs.

COLLEAGUES

One of Hilton's strengths is that it is lead by a close knit team of individuals with a wide range of appropriate but different skills. I would like to take this opportunity to pay my personal tribute to Gordon Summerfield, who chaired the Group from 2003 to his death in March this year. During this period the Group achieved rapid growth in revenues and profitability and was floated on the London Stock Exchange in May 2007. Gordon's leadership, support and wise counsel was greatly valued by everyone at Hilton and our thoughts are with his wife and family.

OUR OBJECTIVES AND STRATEGIC APPROACH

Hilton's objective is to achieve attractive and sustainable rates of growth and returns for its shareholders, whilst strongly supporting its customers' brands. Our business development strategy focuses on the following key areas:

Building volumes with and extending product ranges for existing customers	Hilton works very closely with its existing customers to develop, improve and extend the range of products it offers. The Group's flexible supply and production chains allow it to add new packing lines relatively easily, so as to take advantage of consumer led trends and requirements rapidly. We also work on developing innovative packaging solutions to further develop our customers' private label offerings and, where possible, reduce the environmental impact of the packaging used.
Gaining new customers	Hilton continues to focus on further opportunities for geographical expansion. In late 2009 the Group announced a contract to operate a meat packing facility for Coop Danmark marking the Group's next major geographical expansion. Hilton's track record, customer relationships and outstanding existing facilities provide a sound basis for attracting new customers in new countries and exploring where our business model can, appropriately adapted to our customers needs, produce clear economic advantages for both parties.
Maintaining an uncompromising focus on unit costs, quality and product development	Over the six years to 2009 the Group has invested £92m in both new and existing facilities to increase capacity and product quality 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 whilst remaining cost competitive. Hilton works closely with its customers to ensure rigorous quality, food safety and product integrity standards are continuously met.

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KEY PERFORMANCE INDICATORS (KPI's)

We monitor progress achieved against our strategic objectives by reference to a range of financial and non financial "KPIs", the most important of which, at a Group level, focus on the following areas:

Financial KPI's	**2009**	**2008**	Definition, method of calculation and analysis
Revenue growth (%)	13.2 %	26.3%	Year on year revenue growth expressed as a percentage. Increase similar to the level of volume growth in 2009, with the effect of favourable exchange rates offsetting the impact of a lower priced product mix.
Operating profit margin (%)	2.6%	2.8%	Operating profit expressed as a percentage of turnover. The reduction in 2009 reflected the effect of consumers trading down to less expensive meat products and the growth in value lines in the deep recession across Europe.
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£'m)	36.0	33.3	Operating profit before depreciation, amortisation and government capital grants. The improvement in 2009 reflects the growth in operating profit.
EBITDA (%)	4.4 %	4.6%	Operating profit before depreciation, amortisation and government capital grants, as a percentage of revenue.
Free cash flow before minorities (£'m)	14.8	11.7	Cash flow before dividends and financing.
Gearing Ratio	0.6	0.9	Year end net debt divided by EBITDA. The decrease in 2009 reflects the higher level of EBITDA and the reduced year end net debt level.
Non-financial KPI's	**2009**	**2008**	Definition, method of calculation and analysis
Growth in volume of packed meat sales (%)	13.7 %	9.2 %	Year on year volume growth, expressed as a percentage.
Employee and labour agency costs (pence per kilogram)	37.4	35.5	Employment costs per kilogram of packed meat products sold.
Customer service level (%)	99.4 %		Packs of meat delivered as a % of the orders placed by our customers.
Number of product lines	1,500		Breadth of product range, in terms of number of stock keeping units supplied to customers.

Note: All 2009 KPI's are for 53 weeks (2008 52 weeks), unless otherwise stated.

The majority of the non-financial KPI's are included in this summary for the first time this year. The Group's objective is to continue to perform strongly against all these KPI measures.

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CONCLUSION

Our strategic approach has remained unchanged since we commenced business and has generated continuing strong sales and profit growth over an extended period. However, whilst we have a proven business model, we will always remain sufficiently flexible, so as to be able to take advantage of any new growth opportunities which may emerge.

Robert Watson OBE
Chief Executive
30 March 2010

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Financial review

The Group has delivered a sound set of results in 2009. This Financial review covers the main highlights of the Group's financial performance and position in 2009 and key features of the Group's treasury risk management policies, as well as certain required cautionary statements.

BASIS OF ACCOUNTS PRESENTATION

The Group is presenting its results for the 53 week period ended 3 January 2010, with comparative information for the 52 week period ended 28 December 2008. All growth figures are reported on a 53 week basis unless stated otherwise. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2009 FINANCIAL PERFORMANCE

Revenue

The Group's trading performance has again been strong, with volumes growing overall by 14% (12% on a 52 week basis). Further details of volume growth by segment are detailed in the Chief Executive's summary. Turnover rose by 13% to £826.1m, as compared to £729.5m in 2008, (an 11% increase on a 52 week basis). The turnover increase is in line with the level of volume gains, reflecting a higher percentage of lower priced mince and pork products largely offset by the effect of favourable exchange movements throughout the year.

Gross profit margin

Gross profit margins at 13.4% were little changed as compared with last year (2008: 13.6%)

Operating profit

Operating profit, at £21.7m was 7.5% above the operating profit of £20.2m made in 2008 (5.6% growth on a 52 week basis).

Finance Costs

Net finance costs reduced from £2.9m to £1.7m, reflecting both the lower United Kingdom London Inter-bank Offered Rate (LIBOR) levels seen over 2009, which determine the interest rates on the Group's main borrowings, and the progressive reduction achieved in net debt levels.

Profit before taxation

Profit before taxation, at £20.1m, was £2.8m higher than in 2008 (£17.3m), reflecting the operating profit improvement of £1.5m, and the reduction in finance costs of £1.2m detailed above. The profit before taxation for 2009 on a 52 week basis was £19.7m.

Taxation

The taxation charge for the period was £4.8m (2008: £4.8m). This represented an effective rate of 24%, which was lower than in 2008 (26%, after excluding once off items) with an increase in the proportion of the Group's pre-tax profits being earned in overseas countries with corporate tax rates below those in the UK.

Earnings per share

Basic and diluted earnings per share were 20.1p (2008: 16.5p) an increase of 21.8%, reflecting the combination of the increased level of operating profit, reduced finance charges and a lower effective taxation rate. Earnings per share for 2009 on a 52 week basis were 19.7p, an increase of 19%.

Free Cash Flow and Net Borrowing Levels

Hilton is a well financed business with dependable cash flows. Cash flow continued to be strong in 2009, with the Group generating £14.8m of free cash flow before dividends to shareholders (2008: £11.7m). This has enabled the Group to steadily reduce its level of net debt. Group borrowings, net of cash balances of £24.1m, stood at £20.6m at 31 December 2009. Interest cover in 2009 was 13 times, reflecting the reduced finance costs, as compared with 7 times in 2008.

TREASURY RISK MANAGEMENT POLICIES

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 exchange rates for the year and their assets and liabilities at the year end closing rates. The timing of the repatriation of overseas profits to the UK and the repayment of any intra group loans due to UK holding companies have regard to actual and forecast exchange rates. Changes in relevant currency parities are monitored on a day to day basis. The Group has to date decided not to hedge its foreign exchange rate exposures, the impact of which has been favourable over recent years, but 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. As a result the Group's exposure is, for the most part, limited to its equity investment in each overseas subsidiary.

Interest rate fluctuation 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 a proportion of its sterling borrowings. The Group currently has in place a three year cap at 6.5% on 82% of its term loan from Ulster Bank, the interest rate on which is LIBOR plus an agreed margin, though it is reviewing hedging costs and options in the changed interest rate environment.

Customer credit and pricing risks

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

Liquidity risk

This is an area which for many businesses currently represents a material concern, given the current difficult economic environment and liquidity constraints in banking systems across Europe. 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, which have recently been extended by two years, to 2015. All bank positions are monitored on a daily basis and capital expenditure above set levels, together with decisions on intra group dividends, are all approved at Board meetings. All long term debt is arranged centrally and is subject to Board approval.

GOING CONCERN BASIS

The Group's bank borrowings are detailed in note 19 to the financial statements and the principal banking facilities which support the Group's existing and contracted new business are committed, with no renewal required for over five years. The Group is in compliance with all its banking covenants. Future geographical expansion which is not yet contracted, and which is not built into internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities.

The Group's internal budgets and forecasts, which incorporate all 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 by the Board in preparing the financial statements.

FORWARD LOOKING STATEMENTS

The Chairman's statement, the Chief Executive's summary, the Financial review and the Business review together with the other reports which together comprise the Enhanced Business Review contain forward looking statements that are inevitably subject to risk factors associated with, amongst other things, economic,

political and business developments which may occur from time to time across the countries in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but all forward looking statements and forecasts involve risk and uncertainty, quite 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 2010

Hilton Food Group plc

Business review

A PROVEN BUSINESS MODEL

This Business review covers sequentially the key resources and relationships of the business, the main trends and factors likely to affect the future development of the Group's businesses and the principal risks and uncertainties facing our businesses, together with the strategies adopted to minimise these risks.

THE KEY RESOURCES AND RELATIONSHIPS OF THE BUSINESS

The key resources and relationships of the business are set out below.

Established reputation	Hilton's reputation has been built on its achieved levels of product quality and presentation, food safety and integrity, product innovation, service levels, health and safety, the way in which it treats its employees and suppliers, the manner in which it operates its facilities and its proven ability to adapt its business model to different customer and country requirements. All of these elements, which are achieved within a culture of safe working and concern for the environment, whilst operating within all applicable local and national regulations, are the responsibility of the operational management teams in each country, supported by specialist central expertise and assistance, as and when required.
Modern, well invested meat packing plants	The business has invested £92m over the last six years to increase packing capacity, in order to be able to service its customers growth, 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 continuously improve product quality and reduce the environmental impact of the Group's operations.
Employee skill base	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.
Long term partnerships with growing retail customers	Whilst detailed arrangements with customers vary, Hilton has close long term partnership relationships with its multiple retail customers (all of whom are subsidiary or associated companies of the Tesco or Ahold groups), which involve continuous close liaison, discussion and co-ordination, designed to ensure the best possible outcomes for both our partners and their customers as marketplace demands change over time.
Wide and flexible meat supply base	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 and is over time steadily widening its supply base.
Committed banking facilities	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.
Focus on the environment, employees and community issues	Information in relation to these matters and issues are set out in the Corporate and Social Responsibility report. None of these issues had a material impact on the development, performance or position of the Group's businesses in 2009.

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

Hilton's historical growth

The Group's historical 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 five European countries in which the Group currently operates meat packing

plants, its retail partners served from those plants (all of whom are subsidiary or associated companies of the Tesco or Ahold groups) and the dates on which each facility commenced packing meat are set out below:

1994	UK (Tesco)
2000	Holland (Albert Heijn)
2004	Ireland (Tesco)
2004	Sweden (ICA)
2006	Poland (Ahold, Tesco and Rimi)

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. The sixth plant in Denmark is scheduled to start production in the second quarter of 2011.

The main trends and factors affecting the Group's development

Hilton's past growth has been underpinned by 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 larger retail chains have gained a greater share of the grocery markets, these retail chains are increasingly utilising large scale central packing plants capable of producing meat products more hygienically and cost efficiently. By moving to larger suppliers of pre-packed meat from the optimum logistical locations the retailers have effectively chosen to rationalise their supply base, in order to deliver lower costs and higher food safety, food integrity and quality standards. This has allowed the retailers to focus on their core business whilst maximising their return on available retail space.

These trends and the factors which have underpinned the past growth of the Group's business are expected to continue, albeit that the pace of recovery from the recent economic recessions in each market in which the Group operates cannot be predicted with certainty.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP'S BUSINESSES

There are risks and uncertainties inherent in the Group's operations which could have a significant impact on its business, results and financial position. The Group has a well developed structure and set of processes for identifying and mitigating the key business risks it faces. The most significant business risks faced, which are unchanged from last year and which will continue to affect the group's businesses, together with the strategies adopted by the Group to mitigate them, are set out below.

Risk Description	The Group's growth potential is dependent on the success of its customers and the future growth of their packed meat sales.
Potential Impact	All of the Group's products bear the brand labels of the customer to whom its products are supplied. The Group is therefore dependent on its customers to maintain or improve customer perception of their own brand names and sales of packed meat.
Mitigation Strategy	The Group plays its full part in enhancing its customers brand values, by providing high quality competitively priced products, high service levels and continuing product and packaging innovation. It recognises that quality assurance is integral to its customers' brands and works closely with its customers to ensure rigorous quality assurance standards are met. It is continuously measured by its customers across a wide range of parameters, including delivery time, product specification and accuracy of documentation and targets high service levels across all these parameters. The Group works closely with its customers to identify improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage of the supply chain.

Risk Description	The Group is dependent on a small number of customers who exercise significant buying power and influence.
Potential Impact	The Group has a comparatively narrow customer base, with sales to subsidiary or associated companies of the Tesco and Ahold groups currently comprising the majority of Hilton's revenue. The large retail chains are continuing to increase their market share of meat products in many countries, as retail customers move away from high street butchers towards one stop convenience shopping in large supermarkets. The continuation of this

	trend increases the buying power of the Group's customers which in turn increases their negotiating power with the Group, which could enable them to seek better terms over time.
Mitigation Strategy	Hilton's state of the art facilities, and its management's continuous focus on reducing costs, allow it to operate efficiently at very high throughputs and price its products competitively, which is particularly important in the current difficult economic environment. The Group's customer driven business model is focused solely on central meat packing and is unencumbered by the issues and conflicts faced by the majority of the Group's competitors who are involved in significant upstream processing, including rearing, slaughtering and cutting. Hilton operates a decentralised entrepreneurial business structure, which enables it to work very closely and flexibly with its retail partner in each country, and achieves high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety and product integrity.

Risk Description	The Group's business is reliant on a number of key personnel and its ability to manage growth successfully.
Potential Impact	The Group is critically dependent on the skills of a small number of senior managers and, as the business develops and expands, the Group's success will inevitably depend on its ability to attract and retain the necessary calibre of personnel for key positions, both for managing its existing businesses and setting up new ones.
Mitigation Strategy	To continue to manage growth successfully, the Group will carefully manage its skill resources and continue to invest in on-the-job training and career development, together with the cost effective management of quality, appropriately scaleable information and control systems, whilst recruiting high quality new employees, as required, to facilitate ongoing growth.

Risk Description	The Group's business is dependent on maintaining a wide and flexible global meat supply base.
Potential Impact	The Group is reliant on its suppliers to provide sufficient volume of products on short lead times as ordered by its customers. The Group sources certain of its meat requirements from outside the European Union, for example South America and New Zealand. Tariffs, quotas or trade barriers imposed by countries where the group procures meat, or may do so in the future, and the progress of World Trade Organisation talks and other global trade developments could materially affect the Group's international procurement ability.
Mitigation Strategy	The Group maintains a flexible global meat base, which is progressively widening as it expands, so as to have in place a range of options should any such eventualities occur.

Risk Description	Outbreaks of disease and feed contamination affecting livestock and media concerns can impact the Group's sales.
Potential Impact	Reports in the public domain concerning the risks of consuming meat can cause consumer demand for meat to drop significantly in the short to medium term. A food scare similar to the Bovine Spongiform Encephalopathy ("BSE") scare that took place in 1996, or the 2008 disclosure of dioxin contamination of animal feed in Ireland, can affect public confidence in red meats.
Mitigation Strategy	The Group sources its meat from a trusted raw material supply base all components of which meet stringent European and customer standards. The Group is subject to demanding standards which are independently monitored in every country and reliable product traceability and high welfare standards from the farm to the consumer are integral to the Group's business model. The Group ensures full traceability from source to packed product across all suppliers.

Risk Description	The Group's business is dependent on the state of the economies and levels of consumer spending in the countries in which it operates.
Potential Impact	No business is immune to the current difficult economic climate and the reduced levels of consumer spending recently experienced across Europe.

Hilton Food Group plc

Mitigation Strategy	With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group expects to be able to able to continue to make progress, despite the current difficult economic conditions.

The Group is dependent on the quality and effectiveness of its risk management strategy and procedures. All types of risk applicable to the business are regularly reviewed and a formal risk assessment review is carried out to highlight key risks to the business and to consider action that can reasonably and cost effectively be taken to mitigate them. The Board believes that in carrying out the Group's businesses it is vital to strike the right balance between an appropriate and comprehensive control environment and encouraging the level of entrepreneurial freedom necessary to seek out and develop new opportunities, but, however skilfully this balance is struck, the business will always be subject to a number of risks and uncertainties, as illustrated above.

Hilton Food Group plc

Responsibility statement of the Directors in respect of the Annual Report and Accounts

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

- the Group and parent Company financial statements, prepared in accordance with applicable UK law and in conformity with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and

- the management reports (which comprise the Chairman's statement, the Chief Executive's summary, the Financial review, the Business review and the Directors' report) include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 30 March 2010.

Directors

R Watson, OBE - Chief Executive
N Majewski - Finance Director
C Patten - Commercial Director
T Bergman - European Business Director
P Heffer – UK and Ireland Business Director
Sir D Naish, DL - Non-Executive Chairman
C Marsh - Non-Executive Director

Hilton Food Group plc

Consolidated income statement

Continuing operations	Notes	**2009 53 weeks £'000**	2008 52 weeks £'000
Revenue	5	**826,091**	729,497
Cost of sales		**(715,130)**	(630,219)
Gross profit		**110,961**	99,278
Distribution costs		**(9,068)**	(7,358)
Administrative expenses		**(80,161)**	(71,710)
Operating profit		**21,732**	20,210
Finance income	9	**179**	1,159
Finance costs	9	**(1,851)**	(4,045)
Finance costs - net	9	**(1,672)**	(2,886)
Profit before income tax		**20,060**	17,324
Income tax expense	10	**(4,839)**	(4,793)
Profit for the year		**15,221**	12,531

Attributable to:			
Owners of the parent		**14,009**	11,487
Minority interest		**1,212**	1,044
		15,221	12,531

Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic and diluted (pence)	11	**20.1**	16.5

Consolidated statement of comprehensive income

	2009 53 weeks £'000	2008 52 weeks £'000
Profit for the year	**15,221**	12,531
Other comprehensive income		
Currency translation differences	**(759)**	3,336
Other comprehensive income for the year net of tax	**(759)**	3,336
Total comprehensive income for the year	**14,462**	15,867

Total comprehensive income attributable to:		
Owners of the parent	**13,380**	14,482
Minority interest	**1,082**	1,385
	14,462	15,867

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

Hilton Food Group plc

Consolidated balance sheet

			Group		Company
		2009	2008	**2009**	2008
	Notes	**£'000**	£'000	**£'000**	£'000
Assets					
Non-current assets					
Property, plant and equipment	13	**48,252**	51,325	**-**	-
Intangible assets	14	**2,651**	3,671	**-**	-
Investments in subsidiary undertakings	15	**-**	-	**102,985**	102,985
Deferred income tax assets	21	**492**	364	**-**	-
		51,395	55,360	**102,985**	102,985
Current assets					
Inventories	16	**17,335**	19,015	**-**	-
Trade and other receivables	17	**77,844**	78,511	**522**	404
Current income tax assets		**-**	-	**195**	522
Cash and cash equivalents	18	**24,141**	25,785	**1**	2
		119,320	123,311	**718**	928
Total assets		**170,715**	178,671	**103,703**	103,913
Equity					
Capital and reserves attributable to owners of the parent					
Share capital	22	**6,966**	6,966	**6,966**	6,966
Employee share schemes reserve		**377**	96	**-**	-
Foreign currency translation reserve		**3,262**	3,891	**-**	-
Retained earnings		**26,432**	18,232	**311**	121
		37,037	29,185	**7,277**	7,087
Reverse acquisition reserve		**(31,700)**	(31,700)	**-**	-
Merger reserve		**919**	919	**71,019**	71,019
		6,256	(1,596)	**78,296**	78,106
Minority interest in equity		**2,300**	1,752	**-**	-
Total equity		**8,556**	156	**78,296**	78,106
Liabilities					
Non-current liabilities					
Borrowings	19	**36,271**	45,417	**-**	-
Deferred income tax liabilities	21	**1,596**	2,186	**-**	-
		37,867	47,603	**-**	-
Current liabilities					
Borrowings	19	**8,424**	8,940	**-**	-
Trade and other payables	20	**113,688**	120,869	**25,407**	25,807
Current income tax liabilities		**2,180**	1,103	**-**	-
		124,292	130,912	**25,407**	25,807
Total liabilities		**162,159**	178,515	**25,407**	25,807
Total equity and liabilities		**170,715**	178,671	**103,703**	103,913

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

Hilton Food Group plc

The financial statements were approved by the Board on 30 March 2010 and were signed on its behalf by:

R Watson, **Director**
Hilton Food Group plc

N Majewski, **Director**
Registered no. 6165540

Hilton Food Group plc

Consolidated statement of changes in equity

		Attributable to owners of the parent									
Group	Notes	Share capital £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Sub total £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2008		6,966	-	896	12,039	19,901	(31,700)	919	(10,880)	367	(10,513)
Comprehensive income											
Profit for the year		-	-	-	11,487	11,487	-	-	11,487	1,044	12,531
Other comprehensive income											
Currency translation differences		-	-	2,995	-	2,995	-	-	2,995	341	3,336
Total comprehensive income		-	-	2,995	11,487	14,482	-	-	14,482	1,385	15,867
Transactions with owners											
Adjustment in respect of employee share schemes		-	96	-	-	96	-	-	96	-	96
Dividends paid	12	-	-	-	(5,294)	(5,294)	-	-	(5,294)	-	(5,294)
Total transactions with owners		-	96	-	(5,294)	(5,198)	-	-	(5,198)	-	(5,198)
Balance at 28 December 2008		6,966	96	3,891	18,232	29,185	(31,700)	919	(1,596)	1,752	156
Comprehensive income											
Profit for the year		**-**	**-**	**-**	**14,009**	**14,009**	**-**	**-**	**14,009**	**1,212**	**15,221**
Other comprehensive income											
Currency translation differences		**-**	**-**	**(629)**	**-**	**(629)**	**-**	**-**	**(629)**	**(130)**	**(759)**
Total comprehensive income		**-**	**-**	**(629)**	**14,009**	**13,380**	**-**	**-**	**13,380**	**1,082**	**14,462**
Transactions with owners											
Adjustment in respect of employee share schemes		**-**	**281**	**-**	**-**	**281**	**-**	**-**	**281**	**-**	**281**
Dividends paid	12	**-**	**-**	**-**	**(5,809)**	**(5,809)**	**-**	**-**	**(5,809)**	**(534)**	**(6,343)**
Total transactions with owners		**-**	**281**	**-**	**(5,809)**	**(5,528)**	**-**	**-**	**(5,528)**	**(534)**	**(6,062)**
Balance at 3 January 2010		**6,966**	**377**	**3,262**	**26,432**	**37,037**	**(31,700)**	**919**	**6,256**	**2,300**	**8,556**

Hilton Food Group plc

		Attributable to owners of the parent									
	Notes	Share capital	Employee share schemes reserve	Foreign currency translation reserve	Retained earnings	Sub total	Reverse acquisition reserve	Merger reserve	Total	Minority interest	Total equity
Company		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2008		6,966	-	-	25	6,991	-	71,019	78,010		
Comprehensive income											
Profit for the year		-	-	-	5,390	5,390	-	-	5,390		
Total comprehensive income		-	-	-	5,390	5,390	-	-	5,390		
Transactions with owners											
Dividends paid	12	-	-	-	(5,294)	(5,294)	-	-	(5,294)		
Total transactions with owners		-	-	-	(5,294)	(5,294)	-	-	(5,294)		
Balance at 28 December 2008		6,966	-	-	121	7,087	-	71,019	78,106		
Comprehensive income											
Profit for the year		**-**	**-**	**-**	**5,999**	**5,999**	**-**	**-**	**5,999**		
Total comprehensive income		**-**	**-**	**-**	**5,999**	**5,999**	**-**	**-**	**5,999**		
Transactions with owners											
Dividends paid	12	**-**	**-**	**-**	**(5,809)**	**(5,809)**	**-**	**-**	**(5,809)**		
Total transactions with owners		**-**	**-**	**-**	**(5,809)**	**(5,809)**	**-**	**-**	**(5,809)**		
Balance at 3 January 2010		**6,966**	**-**	**-**	**311**	**7,277**	**-**	**71,019**	**78,296**		

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

Consolidated cash flow statement

		Group		Company	
		2009	2008	**2009**	2008
		53 weeks	52 weeks	**53 weeks**	52 weeks
	Notes	**£'000**	£'000	**£'000**	£'000
Cash flows from operating activities					
Cash generated from operations	24	**33,160**	35,311	**-**	-
Interest paid		**(1,851)**	(4,912)	**(1,096)**	(1,406)
Income tax (paid)/received		**(4,532)**	(4,711)	**404**	-
Net cash generated from/(used in) operating activities		**26,777**	25,688	**(692)**	(1,406)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(12,126)**	(15,248)	**-**	-
Proceeds from sale of property, plant and equipment		**57**	192	**-**	-
Purchases of intangible assets		**(38)**	(68)	**-**	-
Interest received		**179**	1,158	**-**	1
Dividends received		**-**	-	**6,500**	6,700
Net cash (used in)/generated from investing activities		**(11,928)**	(13,966)	**6,500**	6,701
Cash flows from financing activities					
Proceeds from borrowings		**1,294**	2,915	**-**	-
Repayments of borrowings		**(10,359)**	(6,312)	**-**	-
Dividends paid to Company shareholders		**(5,809)**	(5,294)	**(5,809)**	(5,294)
Dividends paid to minority interests		**(534)**	-	**-**	-
Net cash used in financing activities		**(15,408)**	(8,691)	**(5,809)**	(5,294)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(559)**	3,031	**(1)**	1
Cash, cash equivalents and bank overdrafts at beginning of the year		**25,785**	20,792	**2**	1
Exchange gains on cash, cash equivalents and bank overdrafts		**(1,085)**	1,962	**-**	-
Cash, cash equivalents and bank overdrafts at end of the year	18	**24,141**	25,785	**1**	2

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

Hilton Food Group plc

Notes to the financial statements

1. General information

Hilton Food Group plc ("the Company") and its subsidiaries (together "the Group") is a specialist retail meat packing business supplying major international food retailers in ten European countries. The Company's subsidiaries are listed in note 26.

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.

The financial year represents the 53 weeks to 3 January 2010 (prior financial year 52 weeks to 28 December 2008).

These consolidated financial statements were approved for issue on 30 March 2010.

The Company has taken advantage of the exemption in section 408 Companies Act 2006 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 £5,999,000 (2008: £5,390,000).

2. Summary of significant accounting policies

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

Basis of preparation

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

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

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

This preliminary announcement does not comprise the Company's statutory accounts for the years to 3 January 2010 and 31 December 2008. The statutory accounts for the year to 31 December 2008 have been delivered to the Registrar of Companies, whereas those for the year to 3 January 2010 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 3 January 2010 and 31 December 2008.

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 3 January 2010. 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.

International Financial Reporting Standards

(a) Standards, amendments and interpretations effective in 2009

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.

IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) clarifies vesting conditions and cancellations.

IFRS 7 'Financial instruments – Disclosures' (amendment) (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

(b) Standards, amendments and interpretations effective in 2009 but not relevant to the Group or Company's operations

IAS 32 (amendment), 'Financial Instruments: Presentation' (effective 1 January 2009)
IFRS 1 (revised), 'First time adoption of IFRS' (effective 1 January 2009)
IFRIC 9 and IAS 39 (amendment), 'Embedded derivatives' (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)
IFRIC 18, 'Transfer of assets from customers' (effective accounting periods ending on or after 31 October 2009)

(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 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 9, 'Financial Instruments' (effective 1 January 2013). This standard concerns the classification and measurement of financial assets that will replace IAS 39. Equity instruments are to be measured at fair value. Debt instruments may be measured at fair value or amortised cost. This standard is not expected to have an impact on the Group or Company.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. The Group and Company will apply this IFRIC to any renegotiation of debt terms in future periods.

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

IAS 24 (amendment), 'Related party transactions' (effective 1 January 2011)
IAS 32 (amendment), 'Financial instruments
IAS 39 (amendment), 'Eligible hedged items' (effective 1 July 2009)
IFRIC 12, 'Service concession arrangements (effective 30 March 2009)
IFRIC 14 and IAS 19 (amendment) 'Prepayments of a minimum funding requirement' (effective 1 January 2011)

Revenue recognition

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

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

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

Segment reporting

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

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 a foreign currency translation reserve.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments

arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

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

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

	Annual Rate
Buildings – Held under finance lease	5%
Buildings – Leasehold improvements	10%
Plant and machinery	14% - 33%
Fixtures and fittings	14% - 33%
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 three to seven years.

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

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

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.

Financial assets

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

(b) Recognition and measurement
Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

(c) Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Inventories

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

Trade and other receivables

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

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

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 employee share schemes reserve represents the cumulative fair value of share options granted recognised as an expense in the income statement.

The foreign currency translation reserve arises on the consolidation of the Group's overseas subsidiaries representing the difference between assets and liabilities translated at the closing exchange rate and income and expenses translated at average exchange rate.

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

Trade and other payables

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

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

Borrowings

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

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

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

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

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

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

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

Pensions and other post-employment benefits

The Group operates defined contribution schemes for certain employees in the UK, 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 pension schemes for its employees. Although having some defined benefit features the Group's liability to these schemes is limited to the fixed contributions which are recognised as an expense when they are due. Accordingly the Group has accounted for these schemes as defined contribution schemes.

Share based compensation

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

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.

Hilton Food Group plc

(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

	2009		2008	
Group	**Income statement £'000**	**Equity £'000**	Income statement £'000	Equity £'000
Annual effect of a change in Group wide interest rates by 0.5%	**+144** **-144**	**+144** **-144**	+128 -128	+128 -128
Annual effect of a change in exchange rates to the GBP £ by 10%	**+1,691** **-1,394**	**+3,559** **-2,922**	+1,196 -979	+2,702 -2,211

(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 £68.2m (2008: £70.0m) as stated in note 17.

(c) Liquidity risk

The Group monitors regular cash forecasts to ensure that it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities and without breaching its banking covenants. The Group held significant cash and cash equivalents of £24.1m (2008: £25.8m) and maintains a mix of long-term and short term debt finance.

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

	2009			2008		
	Borrowings £'000	**Finance leases £'000**	**Trade and other payables £'000**	Borrowings £'000	Finance leases £'000	Trade and other payables £'000
Less than 1 year	**9,592**	**340**	**110,539**	10,879	374	118,014
Between 1 and 2 years	**7,685**	**348**	**-**	9,123	355	-
Between 2 and 5 years	**20,833**	**1,098**	**-**	36,463	736	-
Over 5 years	**7,480**	**3,857**	**-**	-	4,998	-

Capital Risk Management

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

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

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown on the consolidated balance sheet) less cash and cash equivalents. EBITDA is calculated as operating profit before significant non-recurring items, interest, tax, depreciation and amortisation. The gearing ratio continues to improve ending the year at 0.6 (2008: 0.9) such that 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. The Directors consider that there is a single level of fair value measurement hierarchy.

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 2009 and 2008 there were no critical accounting estimates or judgements in relation to the application of the Group's accounting policies.

5. Segment information

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

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

From a geographic perspective, the Executive Directors consider that the group has five operating segments: i) United Kingdom; ii) Republic of Ireland; iii) Sweden; iv) Netherlands; and v) Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia and Lithuania. The United Kingdom, Republic of Ireland, Netherlands and Sweden have been aggregated into one reportable segment "Western Europe" as they have similar economic characteristics as identified in IFRS 8. Central Europe comprises the other reportable segment.

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

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

	Western Europe	**Central Europe**	**2009 Total**	Western Europe	Central Europe	2008 Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Total segment revenue	**758,699**	**70,373**	**829,072**	684,200	49,821	734,021
Inter-segment revenue	**(2,981)**	**-**	**(2,981)**	(4,524)	-	(4,524)
Revenue from external customers	**755,718**	**70,373**	**826,091**	679,676	49,821	729,497
Operating profit / segment result	**19,452**	**2,280**	**21,732**	18,953	1,257	20,210

Finance income	**142**	**37**	**179**	1,104	55	1,159
Finance costs	**(1,524)**	**(327)**	**(1,851)**	(3,717)	(328)	(4,045)
Income tax expense	**(4,426)**	**(413)**	**(4,839)**	(4,513)	(280)	(4,793)
Profit for the year	**13,644**	**1,577**	**15,221**	11,827	704	12,531
Depreciation and amortisation	**12,814**	**1,493**	**14,307**	11,366	1,512	12,878
Additions to non-current assets	**10,506**	**1,657**	**12,163**	14,103	1,213	15,316
Segment assets	**152,861**	**17,362**	**170,223**	161,917	16,390	178,307
Deferred income tax assets			**492**			364
Total assets			**170,715**			178,671
Segment liabilities	**108,826**	**13,177**	**122,003**	119,341	13,168	132,509
Borrowings			**36,380**			42,717
Current income tax liabilities			**2,180**			1,103
Deferred income tax liabilities			**1,596**			2,186
Total liabilities			**162,159**			178,515

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

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

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

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

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

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Analysis by geographical area				
United Kingdom – country of domicile	**255,365**	230,949	**12,728**	14,563
Netherlands	**246,407**	205,598	**12,638**	11,332
Sweden	**171,189**	166,051	**9,378**	10,633
Republic of Ireland	**82,757**	77,078	**10,228**	12,297
Central Europe	**70,373**	49,821	**5,931**	6,171
	826,091	729,497	**50,903**	54,996
Analysis by principal customer				
Customer 1	**465,983**	408,413		
Customer 2	**347,262**	319,216		
Other	**12,846**	1,868		

	826,091	729,497

6. Auditor's 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	**2009 £'000**	2008 £'000
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**128**	133
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries pursuant to legislation	**112**	119
- Other services pursuant to legislation	**43**	43
- Services relating to taxation	**119**	132
- All other services	**18**	35
Total fees payable to the Company's auditor and its associates	**420**	462
Fees payable to other auditors in respect of services provided to subsidiary undertakings	**64**	61

7. Expenses by nature

Group	**2009 £'000**	2008 £'000
Changes in inventories of finished goods and work in progress	**1,773**	7,875
Raw materials and consumables used	**665,361**	583,159
Employee benefit expense (note 8)	**49,554**	43,327
Depreciation, amortisation and impairment charges – owned assets	**14,116**	12,694
Depreciation, amortisation and impairment charges – leased assets	**191**	184
Release of deferred income in respect of government grants	**(53)**	(127)
Repairs and maintenance expenditure on property, plant and equipment	**10,440**	9,208
Trade receivables – impairment	**98**	88
Hire of plant and machinery	**2,739**	683
Transportation expenses	**9,199**	7,292
Operating lease payments	**3,842**	5,036
Foreign exchange losses/(gains)	**516**	(576)
Other expenses	**46,583**	40,444
Total cost of sales, distribution costs and administrative expenses	**804,359**	709,287

8. Employee benefit expense

Group	2009 £'000	2008 £'000
Staff costs during the year		
Wages and salaries	**41,248**	35,872
Social security costs	**6,614**	6,167
Share options granted to Directors and employees	**281**	96
Pension costs – defined contribution plans	**1,411**	1,192
	49,554	43,327

	2009 Number	2008 Number
Average number of persons employed (including Executive Directors) during the year by activity		
Production	**1,366**	1,217
Administration	**279**	300
	1,645	1,517

Group	2009 £'000	2008 £'000
Key management compensation (including Directors)		
Salaries and short term employee benefits	**4,045**	3,338
Post-employment benefits	**236**	198
Share-based payments	**197**	67
	4,478	3,603

Group	2009 £'000	2008 £'000
Directors' emoluments		
Aggregate emoluments	**2,574**	2,205
Company contribution to money purchase pension scheme	**133**	111
	2,707	2,316

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

There are no other employees of the Company other than the Directors. Employee expense of the Company amounted to £nil (2008: £nil).

9. Finance income and costs

Group	2009 £'000	2008 £'000
Finance income		
Interest income on short-term bank deposits	**152**	1,111
Interest on income taxes	**27**	48
Finance income	**179**	1,159

Interest expense		
Bank borrowings	**(1,276)**	(3,730)
Finance leases	**(247)**	(226)
Exchange losses on foreign currency borrowings	**(185)**	-
Other interest expense	**(143)**	(89)
Finance costs	**(1,851)**	(4,045)
Finance costs – net	**(1,672)**	(2,886)

10. Income tax expense

Group	**2009 £'000**	2008 £'000
Current income tax		
Current tax on profits for the year	**5,495**	4,460
Adjustments to tax in respect of previous years	**103**	(1,059)
Total current tax	**5,598**	3,401
Deferred income tax		
Origination and reversal of temporary differences	**(655)**	557
Adjustments to tax in respect of previous years	**(104)**	835
Total deferred tax	**(759)**	1,392
Income tax expense	**4,839**	4,793

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% (2008: 28.5%) applied to profits of the consolidated entities as follows:

	2009 £'000	2008 £'000
Profit before income tax	**20,060**	17,324
Tax calculated at the standard rate of UK Corporation Tax 28% (2008: 28.5%)	**5,617**	4,937
Expenses not deductible for tax purposes	**156**	215
Adjustments to tax in respect of previous years	**14**	(554)
Profits taxed at rates other than 28% (2008: 28.5%)	**(948)**	(585)
Withdrawal of UK Industrial Buildings Allowances	**-**	854
Other	**-**	(74)
Income tax expense	**4,839**	4,793

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

11. Earnings per share

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

Group	2009	2008
Profit attributable to owners of the parent (£'000)	**14,009**	11,487
Weighted average number of ordinary shares in issue (thousands)	**69,657**	69,657
Basic and diluted earnings per share (pence)	**20.1**	16.5

12. Dividends

Group	2009 £'000	2008 £'000
Final dividend in respect of 2008 paid 5.74p per ordinary share (2008: 5.2p)	**3,998**	3,622
Interim dividend in respect of 2009 paid 2.6p per ordinary share (2008: 2.4p)	**1,811**	1,672
Total dividends paid	**5,809**	5,294

The Directors declared a second interim dividend of 5.54p which is to be paid on 1 April 2010 and propose a final dividend of 1.22p per share payable on 2 July 2010 to shareholders who are on the register at 4 June 2010. These dividends, totalling £4.7m have not been recognised as a liability in these consolidated financial statements.

For the period from incorporation to 3 July 2009 the Company declared and paid dividends totalling £10.8m out of distributable reserves. The Companies Act 2006 (and previously 1985) requires public companies where necessary to prepare and file relevant accounts with the Registrar of Companies. However it has come to the attention of the Directors that the Company did not fully comply with these requirements resulting in a technical infringement of the Companies Act. In order to address this situation a special resolution will be proposed at the Company's 2010 Annual General Meeting.

13. Property, plant and equipment

Group	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 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 28 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 28 December 2008	7,874	55,725	5,956	212	69,767
Net book amount					
At 28 December 2008	14,857	33,151	3,152	165	51,325

Cost					
At 29 December 2008	**22,731**	**88,876**	**9,108**	**377**	**121,092**
Exchange adjustments	**(786)**	**(2,828)**	**(69)**	**(6)**	**(3,689)**
Additions	**109**	**11,347**	**554**	**116**	**12,126**
Disposals	**-**	**(74)**	**(4)**	**(121)**	**(199)**
At 3 January 2010	**22,054**	**97,321**	**9,589**	**366**	**129,330**
Accumulated depreciation					
At 29 December 2008	**7,874**	**55,725**	**5,956**	**212**	**69,767**
Exchange adjustments	**(202)**	**(1,710)**	**(38)**	**(2)**	**(1,952)**
Charge for the year	**1,480**	**10,588**	**1,253**	**79**	**13,400**
Disposals	**-**	**(41)**	**(2)**	**(94)**	**(137)**
At 3 January 2010	**9,152**	**64,562**	**7,169**	**195**	**81,078**
Net book amount					
At 3 January 2010	**12,902**	**32,759**	**2,420**	**171**	**48,252**

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

	2009	2008
	£'000	£'000
Cost – capitalised finance leases	**3,745**	3,985
Accumulated depreciation	**(1,070)**	(986)
Net book amount	**2,675**	2,999

Included in assets held under finance leases are land and buildings with a net book amount of £2,567,000 (2008: £2,958,000) and plant & machinery with a net book amount of £108,000 (2008: £41,000).
Land and buildings are held under short leaseholds.
Details of bank borrowings secured on assets of the Group are given in note 19.

14. Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2008	6,733	2,647	836	10,216
Exchange adjustments	1,987	299	-	2,286
Additions	-	68	-	68
At 28 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

	Product licences	Computer software	Goodwill	Total
Charge for the year	400	496	-	896
At 28 December 2008	7,451	1,448	-	8,899
Net book amount				
At 28 December 2008	1,269	1,566	836	3,671

Cost				
At 29 December 2008	**8,720**	**3,014**	**836**	**12,570**
Exchange adjustments	**(612)**	**(68)**	**-**	**(680)**
Additions	**-**	**38**	**-**	**38**
At 3 January 2010	**8,108**	**2,984**	**836**	**11,928**
Accumulated amortisation				
At 29 December 2008	**7,451**	**1,448**	**-**	**8,899**
Exchange adjustments	**(524)**	**(5)**	**-**	**(529)**
Charge for the year	**426**	**481**	**-**	**907**
At 3 January 2010	**7,353**	**1,924**	**-**	**9,277**
Net book amount				
At 3 January 2010	**755**	**1,060**	**836**	**2,651**

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

15. Investments in subsidiary undertakings

	2009	2008
Company	**£'000**	£'000
At 28 December 2008 and **3 January 2010**	**102,985**	102,985

Details of subsidiary undertakings are shown in note 26. Investments in subsidiary undertakings are recorded at cost, which is the fair value of consideration paid.

16. Inventories

	2009	2008
Group	**£'000**	£'000
Raw materials and consumables	**12,458**	14,046
Finished goods and goods for resale	**4,877**	4,969
	17,335	19,015

The cost of inventories recognised as an expense and included in cost of sales amounted to £667,134,000 (2008: £591,034,000). The Group charged £168,000 in respect of inventory write-downs (2008: £652,000). The amount charged has been included in cost of sales in the income statement.

17. Trade and other receivables

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000

Trade receivables	**68,302**	70,079	**-**	-
Less: provision for impairment of trade receivables	**(101)**	(69)	**-**	-
Trade receivables – net	**68,201**	70,010	**-**	-
Amounts owed by Group undertakings	**-**	-	**522**	404
Amounts owed by related parties (see note 27)	**733**	642	**-**	-
Other receivables	**5,584**	4,125	**-**	-
Prepayments	**3,326**	3,734	**-**	-
	77,844	78,511	**522**	404

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

	Group		Company	
	2009	2008	**2009**	2008
Currency	**£'000**	£'000	**£'000**	£'000
UK Pound	**15,607**	15,691	**522**	404
Euro	**41,446**	38,699	**-**	-
Swedish Krona	**17,428**	18,924	**-**	-
Polish Zloty	**3,363**	5,197	**-**	-
	77,844	78,511	**522**	404

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

Trade receivables impaired and the amount of the impairment provision was £101,000 (2008: £69,000). 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.

The other classes within trade and other receivables do not contain impaired assets.

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

	2009	2008
Group	**£'000**	£'000
At 28 December 2008	**69**	197
Provision for receivables impairment	**98**	88
Receivables written off during the year as uncollectable	**(61)**	(278)
Exchange differences	**(5)**	62
At 3 January 2010	**101**	69

18. Cash and cash equivalents

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Cash at bank and on hand	**24,141**	25,785	**1**	2

19. Borrowings

Group	2009 £'000	2008 £'000
Current		
Bank borrowings	**8,297**	8,820
Finance lease liabilities	**127**	120
	8,424	8,940
Non-current		
Bank borrowings	**33,008**	41,825
Finance lease liabilities	**3,263**	3,592
	36,271	45,417
Total borrowings	**44,695**	54,357

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

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

Currency	2009 £'000	2008 £'000
UK Pound	**36,414**	42,733
Euro	**7,703**	9,359
Swedish Krona	**578**	2,265
	44,695	54,357

The Group reorganisation loan of £36,380,000 (2008: £42,717,000) is repayable in quarterly instalments by 28 February 2015. Interest is charged at LIBOR plus 1.75% 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 1.75%.

Bank borrowings totalling £41,305,000 (2008: £50,645,000) are secured by fixed and floating charges over the assets of the individual Group borrowers and through joint and several guarantees from each active Group undertaking.

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

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

	Minimum lease payments		Present value	
Group	2009 £'000	2008 £'000	2009 £'000	2008 £'000
No later than one year	**347**	374	**127**	120
Later than one year and no later than five years	**1,421**	1,516	**571**	518
Later than five years	**3,934**	4,498	**2,692**	3,074
	5,702	6,388	**3,390**	3,712
Future finance charges on finance leases	**(2,312)**	(2,676)	**-**	-
Present value of finance lease liabilities	**3,390**	3,712	**3,390**	3,712

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 £5,232,000 (2008: £5,671,000). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 1.0% (2008: 1.5%).

20. Trade and other payables

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade payables	**80,644**	79,876	**-**	-
Amounts owed to Group undertakings	**-**	-	**25,402**	25,341
Amounts owed to related parties (see note 27)	**10,369**	15,757	**-**	-
Social security and other taxes	**3,149**	2,855	**-**	-
Deferred consideration	**-**	313	**-**	-
Accruals and deferred income	**19,526**	22,068	**5**	466
	113,688	120,869	**25,407**	25,807

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

21. 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 2008	1,181	92	1,273	(1,580)
Exchange differences	22	-	22	(145)
Income statement charge	(891)	(40)	(931)	(461)
At 28 December 2008	312	52	364	(2,186)
Exchange differences	**(15)**	**-**	**(15)**	**(26)**
Income statement credit	**139**	**4**	**143**	**616**
At 3 January 2010	**436**	**56**	**492**	**(1,596)**

The deferred income tax liability above includes £417,000 (2008: £nil) which is estimated will reverse within 12 months.

22. Share capital

	Group		Company	
	2009	2008	**2009**	2008
	£'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

23. Share based payment

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

All employee sharesave scheme
This scheme is open to all eligible employees of the Group including the Executive Directors who make regular savings for a three year period. The options are exercisable starting three years from the grant date and must be exercised within six months thereafter. No performance conditions are attached to the options granted under the scheme. No options are yet exercisable.

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

				2009				2008
	Executive share option		**Sharesave**		Executive share option		Sharesave	
	Options ('000)	**Exercise price (pence)**	**Options ('000)**	**Exercise price (pence)**	Options ('000)	Exercise price (pence)	Options ('000)	Exercise price (pence)
At 28 December 2008	**1,279**	**199.50**	**-**	**-**	-	-	-	-
Granted	**1,506**	**174.75**	**487**	**147.00**	1,279	199.50	-	-
Forfeited	**(115)**	**194.95**	**-**	**-**	-	-	-	-
At 3 January 2010	**2,670**	**185.74**	**487**	**147.00**	1,279	199.50	-	-

The fair value of options granted during the period determined using the Black-Scholes valuation model was 29 pence to 41 pence per option. The significant inputs into the model were the exercise price shown above, volatility of 30% to 40% based on a comparison of similar listed companies, dividend yield of 4% to 5%, an expected option life of four years, and an annual risk-free interest rate of 2.4% to 4.4%. See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

24. Cash generated from operations

Group	**2009 £'000**	2008 £'000
Profit before income tax	**20,060**	17,324
Adjustments for:		
- Depreciation	**13,400**	11,982
- Amortisation of intangible assets	**907**	896
- Loss on disposal of property, plant and equipment	**7**	273
- Finance costs – net	**1,672**	2,886
- Amortisation of government grants	**(53)**	(153)
- Adjustment in respect of employee share scheme	**281**	96
Changes in working capital:		
- Inventories	**1,101**	(7,875)
- Trade and other receivables	**(2,525)**	(17,573)

- Prepaid expenses	**327**	(413)
- Trade and other payables	**(562)**	20,795
- Accrued expenses	**(1,455)**	7,073
Cash generated from operations	**33,160**	35,311

The parent company has no operating cash flows.

25. Commitments

(a) Capital commitments

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

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Property, plant and equipment	**562**	84	**-**	-

(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	
	2009	2008	**2009**	2008
Group	**£'000**	£'000	**£'000**	£'000
No later than one year	**5,234**	4,939	**682**	631
Later than one year and no later than five years	**13,409**	10,515	**1,657**	981
Later than five years expiring 2013 to 2023	**8,839**	6,799	**3**	-
	27,482	22,253	**2,342**	1,612

26. Subsidiary undertakings

The principal subsidiary undertakings of the Group are:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	Proportion of ordinary shares held by	
			Parent	Group
Hilton Meats (Retail) Limited	Northern Ireland	Specialist meat packing	-	100%
Hilton Meats Zaandam BV	Netherlands	Specialist meat packing	-	80%
Hilton Foods (Ireland) Limited	Republic of Ireland	Specialist meat packing	-	100%
HFG Sverige AB	Sweden	Specialist meat packing	-	100%
Hilton Foods 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 subsidiary undertakings are included in the consolidation. The Company's voting rights in its subsidiary undertakings are the same as its effective interest in its subsidiary undertakings.

27. 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	
	2009	2008	**2009**	2008
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**10,082**	642	**74,421**	73,281
Romford Wholesale Meats Limited	**-**	-	**46,496**	44,344
RWM Dorset Limited	**-**	-	**22,478**	24,218
Foyle Food Group Limited	**-**	-	**37,894**	36,413

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

	Owed from related parties		Owed to related parties	
	2009	2008	**2009**	2008
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**733**	642	**2,553**	6,735
Romford Wholesale Meats Limited	**-**	-	**1,884**	4,259
RWM Dorset Limited	**-**	-	**2,331**	1,139
Foyle Food Group Limited	**-**	-	**3,601**	3,624
	733	642	**10,369**	15,757

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:

	2009	2008
Company	**£'000**	£'000
Hilton Foods Limited – dividend received	**6,500**	6,700
Hilton Foods Limited – interest expense	**696**	1,833
Hilton Meats (Retail) Limited – tax on group relief	**522**	404

At the year end £25,402,000 (2008: £25,341,000) was owed to Hilton Foods Limited and £522,000 (2008: £404,000) was owed by Hilton Meats (Retail) Limited.

28. Financial instruments by category

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

	Loans and receivables	
Group	**2009**	2008
Assets as per balance sheet	**£'000**	£'000
Trade and other receivables	**74,518**	74,777
Cash and cash equivalents	**24,141**	25,785
	98,659	100,562

	Other financial liabilities at amortised cost	
Group	**2009**	2008
Liabilities as per balance sheet	**£'000**	£'000

Trade and other payables	**110,539**	118,014
Borrowings	**44,695**	54,357
	155,234	172,371

In addition to the above amounts owed to the Company by Group undertakings of £522,000 (2008: £404,000) are classified as 'loans and receivables' and amounts owed by the Company to Group undertakings of £25,402,000 (2008: £25,341,000) are classified as 'other financial liabilities at amortised cost'.