31 March 2011

Hilton Food Group plc

Preliminary results for 2010

Delivering continuing growth in line with our strategy

Hilton Food Group plc, Europe's leading specialist retail meat packing business supplying major international food retailers in eleven countries, is today announcing its results for 2010.

Please note that the results for 2010 comprise 52 weeks as compared to 53 weeks in the previous year, the percentage changes in key figures on a comparable 52 week basis are noted below in the following table.

FINANCIAL HIGHLIGHTS

				Unaudited	
	2010 52 weeks to 2 January 2011	**2009** 53 weeks to 3 January 2010	**% Change**	2009 on a 52 week basis	% Change on a comparable 52 week basis
Revenue	**£864.2m**	**£826.1m**	**+4.6**	£812.7m	+6.3
Operating profit	**£23.3m**	**£21.7m**	**+7.3**	£21.3m	+9.4
Profit before tax	**£22.2m**	**£20.1m**	**+10.7**	£19.7m	+12.7
Basic earnings per share	**22.6p**	**20.1p**	**+12.4**	19.7p	+14.7
Closing net debt	**£18.0m**	**£20.6m**	**-12.2**		
Dividends paid and proposed in respect of 2010	**10.2 p**	**9.36p**	**+9.0**		

BUSINESS HIGHLIGHTS

- Volume growth of 8%, despite economic conditions remaining subdued across Europe (representing an increase of more than 9% on a comparable 52 week basis).
- Further strong revenue and volume growth achieved in Central Europe with Ahold, Tesco and Rimi.
- Continued strong cash generation enabling a continuing high level of investment in equipment and facilities, designed to underpin the longer term growth of the business.

- Capital expenditure of £17.8m including £9.4m on our new Danish facility.
- Strong balance sheet with net debt level further reduced; no bank re-financing requirement until 2015.
- Building work completed at the new facility at Hasselager in Denmark, with equipment installation and recruitment fully on schedule for the start of production in April 2011.
- Contract with Coop Danmark A/S extended to include the operation of a robotic store order picking facility.

Note: The results for 2010 comprised 52 weeks, as compared to 53 weeks in the previous year. Where appropriate overall growth rates for the Group are provided on a comparable 52 week basis.

Commenting, Robert Watson OBE, Chief Executive said:

"I am pleased to report that 2010 has been another successful year for the Group, building on its strong historical track record. Trading was strong, with good volume growth being achieved at all our facilities and across the range of territories in which Hilton operates. During 2010 we achieved further success with new product initiatives and maintained a continuing high level of investment in our modern state of the art facilities across Europe".

Enquiries

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Chairman's statement

CONTINUED STRONG GROWTH

I am pleased to report to Shareholders that, in my first full year as Non-Executive Chairman, the Group has performed well. We made good progress against our key strategic objectives of growing our business whilst progressively extending our service and product offering to our customers. We delivered yet another strong trading performance across the board, with 2010 seeing our expansion into Estonia, supplied from our facility in southern Poland. New product initiatives have performed well over 2010 and the new contract recently gained to operate a robotised store order picking facility alongside our meat packing operation in Denmark is in line with our strategy of expanding the range of our service offering to customers as and when opportunities to add value are jointly identified with them.

The Group supplies customers in eleven countries across Europe and has achieved continuing sales and volume growth. It has also continued to generate the cash flow required both to maintain high levels of investment and a progressive dividend policy for its shareholders.

OVERVIEW OF GROUP RESULTS

In 2010 volumes of meat packed for Hilton's customers increased by over 9% on a comparable 52 week basis, with revenue rising on a comparable basis by over 6% to £864.2m. Revenue growth reflected the volume gains made, offset by the impact of an increased percentage of total sales in Central Europe and a slightly higher percentage of lower priced pork products. The increases reflected turnover and volume growth across all the territories in which the Group operates. The strongest volume growth was achieved at our businesses in Central Europe, Ireland and Holland, reflecting both the success of new product initiatives and new customer gains.

Profit before taxation rose by over 10%, from £20.1m to £22.2m, and by nearly 13% on a comparable 52 week basis. Interest cover was 21 times (2009: 13 times). Basic earnings per share were 22.6p in 2010 (2009: 20.1p), the increase of 12% (15% on a comparable 52 week basis) reflecting increased operating profit, reduced interest costs and an unchanged effective rate of taxation.

Cash generated from operating activities in 2010 was £34.1m, which enabled net year end borrowings to be reduced to £18.0m, compared with £20.6m at the end of 2009, despite £9.4m of capital expenditure on the new facility in Denmark. This level of cash generation enables us to continuously improve and develop our facilities, whilst being able to finance geographical and product and service range expansion on competitive terms. Capital expenditure of £17.8m during the year included the investment required to facilitate the continued expansion of our existing businesses and the required initial investment for our new business in Denmark. There was also continued investment at all our existing sites, taking advantage of the latest advances in packing technology to drive efficiency gains and increase volumes, 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.

HILTON'S GEOGRAPHICAL COVERAGE

70% of our revenue is now earned outside the United Kingdom, with 75% of our total volume of meat packed outside the UK. Well considered geographic expansion, as opportunities arise, remains a key element in Hilton's strategy. The broad spread of the Group's businesses across Europe represents a significant strength, in terms of reducing Hilton's dependence on the fortunes of any one European economy.

OUR MANAGEMENT AND EMPLOYEES

Hilton has robust values and good people and is operated on a decentralised basis, with strong management teams in each country. Throughout 2010 our 1,909 full time employees in six separate country business units displayed a continuing high level of dedication, conviction and professionalism. The Board understands and appreciates just how much our progress owes to their effort, personal commitment, enthusiasm, enterprise and initiative and I would like to take this opportunity on behalf of the entire Board to personally thank all our employees across Europe for their hard work during 2010 and their continuing commitment.

BOARD CHANGES

Following the unexpected and sad death of our previous Non-Executive Chairman Gordon Summerfield on 15 March 2010, I assumed the role of Non-Executive Chairman on 22 March 2010. On 1 October 2010 Colin Smith, the former Chief Executive of Safeway plc, joined our Board as a Non-Executive Director. Colin brings a wealth of relevant experience to the Board.

There have been no other changes in the composition of the Board since the Company's flotation in early 2007. The Board continues to benefit from a wide range of skills and depth of practical experience, which is available to support our management teams across Europe. Here I would like to thank my Board colleagues for their continued enthusiasm and support.

PROGRESSIVE DIVIDEND POLICY

We seek to maintain a progressive dividend policy that provides both 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, in line with this policy, the Board has recommended a final dividend of 7.4p per ordinary share in respect of 2010. This, together with the interim dividend of 2.8p per ordinary share paid in December 2010, represents a 9.0% increase over last year. The final dividend, if approved by shareholders, will be paid on 1 July 2011 to shareholders on the register on 3 June 2011 and the shares will be ex dividend on 1 June 2011.

OUR BUSINESS STRATEGY

Hilton has a strong vision and a clear, well defined strategy and continues to pursue its key strategic goal of progressive geographical expansion. In 2010 Rimi in Estonia was added as a new customer, serviced from our facility in Poland, and in February 2011 the operation of a robotised store order picking facility was added to the contract signed in Denmark last year. Further volume growth in 2010, driven by new product initiatives and customer gains, has secured increased economies of scale, directly benefiting both the Group and its customers. A constant and rigorous focus on reducing unit packing costs and improving operational efficiencies has enabled the Group to play a continuing proactive role in strongly supporting its customers and their brands.

2011 OUTLOOK

The Group's past growth has been achieved by a combination of steady geographical expansion and continuing progress achieved within each country in which the Group operates. We expect volume growth to continue but the pace of economic recovery will differ across the twelve countries in which the Group's customers are located. We remain well placed to benefit from any improvements in economic conditions.

We have built a solid foundation for future expansion, but the future economic and competitive climate prevailing in the countries in which each of our customers operate, is a factor which our business can never be wholly insulated from or be predicted with certainty. The Board expects, nevertheless, that with a sound and proven business model, prudent financing arrangements, a growing reputation, a well invested asset base and successful customers, Hilton will achieve further progress in 2011. The Group has commenced the new financial year in line with the Board's expectations and remains well positioned to build further on its strong historical track record.

Sir David Naish DL
Non-Executive Chairman
30 March 2011

Chief Executive's summary

CONTINUED INVESTMENT AND INNOVATION

2010 has seen another successful year for Hilton Food Group over which it has achieved continuing growth across all the countries in which it currently operates. The progress achieved was both a credit to our management and employees and a direct reflection of the continued success of our retail partners.

In terms both of sales and profit growth our performance remained strong over a year which, in terms of the subdued European economic backdrop, has remained relatively challenging. 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. In Denmark our new factory has now been built, with all the required equipment and machinery ordered and its installation and commissioning, together with required staff recruitment, fully on schedule for a planned start of operations in April 2011.

OVERVIEW OF OPERATING PERFORMANCE BY BUSINESS SEGMENT

Western Europe

Operating profit of £20.8m (2009: £19.4m) on turnover of £776.6m (2009: £755.7m)

Western Europe covers the Group's existing businesses in the UK, Ireland, Holland and Sweden and the new business in Denmark. Continued progress was made across all the four existing business units during 2010, with the Group continuing to achieve growth in all the markets it supplies, despite a mixed economic background. On a comparable 52 week basis, volume growth was 5.8%, with turnover growth of 4.6%, reflecting the volume growth offset by the negative effect on unit selling prices of a slightly higher proportion of lower priced pork products. The volume gains were accentuated as in previous years by new product development initiatives, with sales of spreadable meats progressing well in Holland.

The new facility for Denmark is expected to commence production in April 2011. The building has been completed and equipment installation and commissioning, together with staff recruitment, are fully on track to meet the projected start date. In relation to this project £0.3m of non-recoverable start up costs were charged in 2010.

Central Europe

Operating profit of £2.5m (2009: £2.3m) on turnover of £87.6m (2009: £70.4m)

Central Europe comprises the Group's rapidly expanding meat packing business, based at its packing plant in Tychy, in southern Poland. On a comparable 52 week basis, volume growth of 32.7% was achieved in 2010 with turnover growth of 24.5% reflecting the volume growth offset by 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 Rimi stores in Latvia, Lithuania and Estonia.

Volumes grew strongly over the year but profitability was temporarily restrained by one off costs, incurred whilst new investments in product lines and robotic storage were commissioned and installed, in order to cope with the increased volumes and expanded product range. The continuing strong volume growth achieved in this relatively complex multi-customer business remains the key to achieving the very low levels of unit packing costs, which are an essential requirement for our customers to be able to compete strongly and grow in these developing markets.

INNOVATION

Innovation is core to Hilton's strategic approach both in terms of new product development and the range of services we offer to our customers. The broadening of our product ranges, together with continued innovation, is required both to ensure we can meet changing consumer needs and to adapt our businesses to reduce costs and increase efficiencies and capacities. Our product teams at each site are always 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 increase the volumetric utilisation of these packing facilities, thus achieving lower unit packing costs for our customers.

INVESTMENT IN FACILITIES, AUTOMATION AND TECHNOLOGY

Hilton aims to be “Best in Class” in every area of its business and its modern, well invested, state of the art facilities are a key factor in keeping unit packing costs as low as possible. Harnessing continuing advances in packing technology and robotic storage solutions enable both increasing volumes of meat to be packed within a given factory footprint and continuous improvements in product quality. Hilton is able to underpin the longer term success of the business by being able to operate its packing plants at highest achievable levels of volumetric utilisation, whilst continuously improving product quality. Over the seven years to December 2010, capital expenditure on the Group’s packing and storage facilities has totalled over £110m.

PARTNERS

Hilton has a strong customer base, comprising growing and successful multiple retailers. The Group’s growth has been generated historically by its strong long term relationships with its retail partners, with whom it continues to work very closely to deliver high service levels, consistent and high product quality, product innovation, high levels of food safety and product integrity assurance. These partnerships, combined with our customers’ success have enabled the Group to continue increasing volumes and progressively reduce unit packing costs, which is vital for our customers facing very competitive markets. The strength of these long term partnerships has been a key driver of our growth since the Group was formed and will continue to underpin the Group’s strategy going forward.

Our current expansion into Denmark, which is with a new customer Coop Danmark A/S, 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 have taken the time to gain an in depth knowledge of our customer’s needs, together with the specific requirements of their local market, so as to ensure our production configuration has been optimised to meet their needs.

COLLEAGUES

Our dedicated employees have once again made a significant contribution to our continued progress, against a difficult economic backdrop. I would like to personally thank them for their hard work, loyalty and professionalism. Hilton is very much a people business and we are committed to attracting and developing the best talent to drive our future growth. The Group’s businesses operate on the basis of providing very high customer service levels with the performance of our employees being vital to their delivery. The quality and depth of our management teams and workforces is a key driver of our successful growth and development, as is the way in which they routinely share best practice on a structured basis, in order to deliver the best attainable outcomes for all our customers.

STRATEGIC PRIORITIES

Hilton has a clear, simple and well defined strategy, with its principal strategic objectives being strongly to support its customers’ brands and their development in their local markets, whilst achieving attractive and sustainable rates of growth and returns for its shareholders. The Group’s business development strategy focuses on the following four key elements:

- Building volumes with and extending product ranges for existing customers;
- Partnering with existing customers in new territories;
- Gaining new customers in new territories; and
- Maintaining an uncompromising focus on unit costs, quality and product development.

This strategic approach which we have pursued since the Group was established has generated continuing strong sales and profit growth over an extended period and laid firm foundations for future growth. We have a proven business model, but will nevertheless, remain both open minded and flexible, so as to be able to take advantage of any new growth opportunities which may emerge with existing or new customers.

Robert Watson OBE
Chief Executive
30 March 2011

Financial review

SOUND FINANCES

The Group has delivered another strong set of results in 2010. This Financial review covers the main highlights of the Group's financial performance and position in 2010, together with key features of the Group's treasury risk management policies, as well as certain normal cautionary statements.

BASIS OF PREPARATION

The Group is presenting its results for the 52 week period ended 2 January 2011, with comparative information for the 53 week period ended 3 January 2010. All growth figures are reported on a 52 compared to 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).

2010 FINANCIAL PERFORMANCE

Revenue

The Group's trading performance has once again been strong. Volumes grew overall by 7.8% (and by 9.5% on a comparable 52 week basis). Further details of volume growth by business segment are set out in the Chief Executive's summary. Turnover rose by 4.6% to £864.2m, as compared to £826.1m in 2009 (an increase of 6.3% on a comparable 52 week basis). The turnover increase is below the level of volume gains, reflecting a slightly higher percentage of lower priced pork products and an increased percentage of total sales in Central Europe.

Operating profit margin

Our operating profit margin in 2010 was 2.7%, as compared with 2.6% in 2009.

Operating profit

Operating profit, at £23.3m was 7.3% above the operating profit of £21.7m made in 2009 (representing a 9.4% increase on a comparable 52 week basis).

Finance Costs

Net finance costs reduced from £1.7m to £1.1m. This reflected the continuing low United Kingdom London Inter-bank Offered Rate (LIBOR) levels seen over 2010, which determine the interest rates on the Group's main sterling borrowings. The movement also reflected the reduction achieved in average net debt levels over 2010, with the new financing facility for the machinery and equipment for Denmark starting to be drawn down towards the end of the year.

Profit before taxation

Reported profit before taxation, at £22.2m, was £2.1m and 10.7% higher than in 2009 (£20.1m), reflecting the operating profit improvement of £1.6m, and the reduction in finance costs of £0.6m detailed above. The increase on a comparable 52 week basis was £2.5m representing 12.7% growth.

Taxation

The taxation charge for the period was £5.3m (2009: £4.8m). This represented an effective taxation rate of 24%, in line with that in the previous year.

Earnings per share

Basic and diluted earnings per share were 22.6p (2009: 20.1p) an increase of 12.4%, reflecting the combination of the increased level of operating profit and reduced finance charges, with an unchanged effective taxation rate. On a comparable 52 week basis, earnings per share increased by 14.7%.

Free cash flow and net borrowing levels

Hilton is a soundly financed business with dependable underlying cash flows. Cash flow continued to be strong in 2010, with the Group generating £9.9m of free cash flow before dividends and financing, after capital expenditure of £9.4m on the new Danish facility. The underlying free cash flow, excluding the new Danish investment, was £19.3m (2009: £14.8m). This has enabled the Group to reduce its net debt level, despite the continued investment in geographical expansion. Group borrowings, net of cash balances of £26.1m, stood at £18.0m at the end of 2010. Interest cover in 2010 was 21 times, reflecting reduced finance costs and increased operating profit, as compared with 13 times in 2009.

BUSINESS PERFORMANCE MEASUREMENT

The Board uses a wide range of financial and non-financial Key Performance Indicators "KPIs", reported to the Board each four week period, to measure progress achieved in building shareholder value and achieving the Group's objectives. Our performance against the key "KPIs" used for this purpose over the last two years is set out below:

Financial KPIs	**2010** (52 weeks)	**2009** (53 weeks)	Definition, method of calculation and analysis
Revenue growth (%)	4.6%	13.2%	Year on year revenue growth expressed as a percentage. The increase was below the level of volume growth in 2010, reflecting principally the impact of a lower priced product mix and an increased proportion of sales made in Central Europe. The 2010 increase on a comparable 52 week basis was 6.3%.
Operating profit margin (%)	2.7%	2.6%	Operating profit expressed as a percentage of turnover. The improvement in 2010 reflected the diminished effect of consumers trading down to less expensive meat products.
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£'m)	37.2	36.0	Operating profit before depreciation, amortisation and government capital grants. The improvement in 2010 reflects the growth in operating profit.
EBITDA (%)	4.3%	4.4%	Operating profit before depreciation, amortisation and government capital grants, as a percentage of revenue.
Free cash flow before minorities (£'m)	9.9	14.8	Cash flow before dividends and financing. The decrease in 2010 reflected the capital expenditure of £9.4m on the new facility in Denmark which will commence operations and generate profits from the second quarter of 2011 onwards. Excluding this once off expenditure, underlying free cash flow remained strong.
Gearing ratio	0.5	0.6	Year end net debt divided by EBITDA. The gearing ratio improved in 2010, with the new financing for the capital expenditure on the Danish facility only partially offsetting the underlying debt reduction achieved.
Non-financial KPIs	**2010**	**2009**	Definition, method of calculation and analysis
Growth in volume of packed meat sales (%)	7.8%	13.7%	Year on year volume growth, expressed as a percentage. The 2010 increase on a comparable 52 week basis was 9.5%.
Employee and labour agency costs (pence per kilogram)	39.3	37.4	Employment costs per kilogram of packed meat products sold. In 2010 there was a once off increase in labour costs caused by the temporary use of remote storage locations, whilst new robotic storage solutions were installed.
Customer service level (%)	98.9%	99.4%	Packs of meat delivered as a % of the orders placed by our customers.
Number of product lines	1,600	1,500	Breadth of product range, in terms of number of stock keeping units supplied to customers.

TREASURY RISK MANAGEMENT POLICIES

The Group's policy is structured to ensure adequate financial resources are made available for the continuing development of its business, whilst safely managing the areas of treasury risk covered below:

Foreign exchange rate movements

The presentational currency of the Group is sterling. The earnings of the Group's overseas subsidiaries are translated into sterling at the average exchange rates for the year and their assets and liabilities at the year end closing rates. 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 broadly favourable overall over recent years, but this policy is kept under continuing review. The Group's overseas subsidiaries have natural hedges in place as they, for the most part, buy raw materials, employ people, source services, sell products and arrange funding in their local currencies. As a result the Group's exposure is principally limited to its equity investment in each overseas subsidiary.

Interest rate fluctuation risk

The risk arises from the fact that the interest rates on the Group's borrowings are variable, being at agreed margins over LIBOR for sterling borrowings or EURIBOR for euro borrowings, which fluctuate. The Group's principal borrowing is in sterling, with interest at an agreed margin over LIBOR. The Board's policy is to have an interest rate cap on a proportion of this borrowing and the Group currently has in place a four year cap at 4.5% on 56% of its sterling term loan from Ulster Bank. The Board would review hedging costs and options should the interest rate environment change materially.

Customer credit and pricing risks

As Hilton's customers comprise a small number of very 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 predominantly either on cost plus agreements or agreed packing rates with its customers.

Liquidity risk

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

GOING CONCERN 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 four years. The Group is in full compliance with all its banking covenants. Future geographical expansion which is not yet contracted, and which is not built into internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities.

The Group's internal budgets and forecasts, which incorporate all reasonably foreseeable changes in trading performance, show the Board 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, because they, self evidently, relate to events and depend on circumstances that will occur in the future.

On behalf of the Board

Nigel Majewski

Finance Director

30 March 2011

Business review

A SOUND PLATFORM FOR FUTURE GROWTH

The 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 which face our businesses, together with the measures we have adopted to minimise these risks.

THE KEY RESOURCES AND RELATIONSHIPS OF THE BUSINESS

The resources and relationships which we consider are critical to our business are detailed below:

Modern, well invested meat packing plants	The Group has well invested modern facilities and has invested over £110m over the last seven years to increase packing capacity, so as to be able to service its customers planned growth, whilst ensuring its packing facilities are kept at a state of the art level, both in terms of packing speeds, in order to progressively reduce unit costs and to continuously improve product quality, whilst reducing the environmental impact of the Group's operations.
Long term partnerships with growing retail customers	Our relationships with our customers are critical to our continuing success. Whilst detailed arrangements with customers vary, Hilton has close long term partnership relationships with its multiple retail customers (five 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 that the best possible outcomes are achieved for both our partners and their customers.
Growing reputation	Hilton's growing reputation, which is a key driver of its growth, 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.
Employee skill base	Our relationship with our employees is vital to our success and the Group continues to invest in developing 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.
Wide and flexible meat supply base	Hilton has strong long term trading relationships with its key meat suppliers and is over time steadily widening its supply base and increasing its procurement strength. The Group maintains a wide, diverse and flexible global meat supply base, so as to be able to provide sufficient volume of products on short lead times as ordered by its customers.
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	We work with the local communities in which our facilities are located and respect our environmental obligations. 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 2010.

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

The Group's progressive geographical expansion

Hilton's expansion has been based on its established track record, together with its growing international reputation and experience and the close partnerships for mutual benefit it has established and maintained with successful retail partners. 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 chronological order in which each facility commenced operations is set out below:

1994	UK – Huntingdon (Tesco)
2000	Holland – Zaandam (Albert Heijn)
2004	Ireland – Drogheda (Tesco)
2004	Sweden – Vasteras (ICA)
2006	Poland – Tychy (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 Group's sixth plant, in Denmark, is scheduled to start production in April 2011 for Coop Danmark A/S.

The key trends and factors which have affected the Group's growth and development

Hilton's past growth has been accentuated by the consumer trend in most European markets towards convenience and one stop shopping which has led to the rapid growth of the large food retailer chains, together with these retailers' focus on private label, which the Group supplies exclusively. The consumer search for the best achievable value for money and the apparent increase in the levels of meals being eaten in the home, seen during the recent subdued economic period across Europe, has served to benefit retailer's private label sales.

As the larger retail chains have gained a greater share of the grocery markets, these retail chains are increasingly turning to large scale meat packing plants capable of producing packed 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, so as to deliver lower costs and higher food safety, food integrity and quality standards. This has allowed the retailers to focus on their core business and maximise their return on available retail space.

These trends and 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 of the eleven markets in which the Group currently operates cannot be predicted with any certainty.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP'S BUSINESSES

The Group has a well developed structure and set of processes for identifying and mitigating the key business risks it faces. As with any public company, there are risks and uncertainties inherent in the Group's operations which could have a significant impact on its business, results and financial position, which we manage, in order to help us achieve our strategic objectives and protect our reputation. 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 measures we have adopted to mitigate these risks, are set out in the table below. This is not intended to constitute an exhaustive analysis of all risks faced by the Group.

Risk area	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 carry the brand labels of the customer to whom its products are supplied. The Group is therefore, inevitably, dependent on its customers' success in maintaining or improving consumer perception of their own brand names and their packed meat offerings.
Risk mitigation measures	The Group plays its full part in enhancing its customers brand values, through providing high quality, competitively priced products, high service levels and continuing product and packaging innovation. It recognises that quality 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 very 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 continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage of the supply chain.

Risk area	The Group is dependent on a small number of customers who can exercise significant buying power and influence.
Potential impact	The Group has a comparatively narrow, but recently extended, 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 Hilton Food Group, which could enable them to seek better terms over time.
Risk mitigation measures	The Group's investment in state of the art facilities, together with its management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively, which is particularly important in the continuing 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 also 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 assurance.

Risk area	The Group's business is reliant on a small number of key personnel and its ability to manage growth successfully.
Potential impact	The Group is critically dependent on the skills and experience 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.
Risk mitigation measures	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 the Group's ongoing growth. The continuing growth of Hilton's business, together with its growing reputation, facilitates the recruitment of more top class specialists with the key skill sets required both to support our existing individual country business units and manage the Group's future geographical expansion.

Risk area	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 in the very short lead times required by its customers. The Group sources certain of its meat requirements from outside the European Union. Tariffs, quotas or trade barriers imposed by countries where the group procures meat, or which they may impose in the future, together with the progress of World Trade Organisation talks and other global trade developments, could materially affect the Group's international procurement ability.
Risk mitigation measures	The Group maintains a flexible global meat supply base, which is progressively widening as it expands, so as to have in place a range of options should any such eventualities occur.

Risk area	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 Bovine Spongiform Encephalopathy ("BSE") that took place in 1996 can affect public confidence in red meats.
Risk mitigation measures	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 area	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 difficult economic climates and the consequently reduced levels of consumer spending seen recently across Europe.
Risk mitigation measures	With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made strong progress over the recent difficult economic period. It expects to be able to continue to make progress going forward, even if the current difficult economic conditions persist.

The Audit Committee is responsible for the oversight of the Group's risk management processes and the Board is responsible for the appropriate identification of risks and the effective application of actions to mitigate those risks.

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 Group's risk register is compiled through a combination of business unit risk registers and Board input. The Board believes that in managing the Group's businesses it is vital to strike the right balance between an appropriate and comprehensive control environment and encouraging the level of entrepreneurial freedom of action required to seek out and develop new opportunities, but, however skilfully this balance is struck, the business will always be subject to a number of risks and uncertainties, as illustrated above.

Not all the risks listed are within the Group's control and others may be unknown or currently considered immaterial, but could turn out to be material in the future. The risks set out in the above table, together with our risk mitigation strategies, should be considered in the context of the Group's risk management and internal control framework, details of which are set out in the Corporate Governance statement and the cautionary statement regarding forward looking statements in the Financial review.

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

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 2011.

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
C Smith, OBE - Non-Executive Director

Consolidated income statement

	Notes	**2010** **52 weeks** **£'000**	2009 53 weeks £'000
Continuing operations			
Revenue	5	**864,223**	826,091
Cost of sales		**(750,787)**	(715,130)
Gross profit		**113,436**	110,961
Distribution costs		**(11,049)**	(9,068)
Administrative expenses		**(79,071)**	(80,161)
Operating profit		**23,316**	21,732
Finance income	9	**135**	179
Finance costs	9	**(1,240)**	(1,851)
Finance costs – net	9	**(1,105)**	(1,672)
Profit before income tax		**22,211**	20,060
Income tax expense	10	**(5,296)**	(4,839)
Profit for the year		**16,915**	15,221
Attributable to:			
Owners of the parent		**15,745**	14,009
Non-controlling interests		**1,170**	1,212
		16,915	15,221
Earnings per share for profit attributable to owners of the parent during the year			
– Basic and diluted (pence)	11	**22.6**	20.1

Consolidated statement of comprehensive income

	2010 **52 weeks** **£'000**	2009 53 weeks £'000
Profit for the year	**16,915**	15,221
Other comprehensive income		
Currency translation differences	**411**	(759)
Other comprehensive income for the year net of tax	**411**	(759)
Total comprehensive income for the year	**17,326**	14,462
Total comprehensive income attributable to:		
Owners of the parent	**16,241**	13,380
Non-controlling interests	**1,085**	1,082
	17,326	14,462

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

Consolidated balance sheet

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	**57,836**	48,252	**–**	–
Intangible assets	14	**2,063**	2,651	**–**	–
Investments in subsidiary undertakings	15	**–**	–	**102,985**	102,985
Deferred income tax assets	21	**1,021**	492	**–**	–
		60,920	51,395	**102,985**	102,985
Current assets					
Inventories	16	**20,346**	17,335	**–**	–
Trade and other receivables	17	**85,088**	77,844	**195**	522
Current income tax assets		**–**	–	**156**	195
Cash and cash equivalents	18	**26,141**	24,141	**1**	1
		131,575	119,320	**352**	718
Total assets		**192,495**	170,715	**103,337**	103,703
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		**1,071**	377	**–**	–
Foreign currency translation reserve		**3,758**	3,262	**–**	–
Retained earnings		**35,518**	26,432	**8,104**	311
		47,313	37,037	**15,070**	7,277
Reverse acquisition reserve		**(31,700)**	(31,700)	**–**	–
Merger reserve		**919**	919	**71,019**	71,019
		16,532	6,256	**86,089**	78,296
Non-controlling interests		**2,613**	2,300	**–**	–
Total equity		**19,145**	8,556	**86,089**	78,296
Liabilities					
Non-current liabilities					
Borrowings	19	**35,359**	36,271	**–**	–
Deferred income tax liabilities	21	**1,037**	1,596	**–**	–
		36,396	37,867	**–**	–
Current liabilities					
Borrowings	19	**8,828**	8,424	**–**	–
Trade and other payables	20	**124,820**	113,688	**17,248**	25,407
Current income tax liabilities		**3,306**	2,180	**–**	–
		136,954	124,292	**17,248**	25,407
Total liabilities		**173,350**	162,159	**17,248**	25,407
Total equity and liabilities		**192,495**	170,715	**103,337**	103,703

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

The financial statements were approved by the Board on 30 March 2011 and were signed on its behalf by:

R Watson	**N Majewski**
Director	Director

Hilton Food Group plc - Registered number: 6165540

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	Subtotal £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 29 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
Comprehensive income											
Profit for the year		**–**	**–**	**–**	**15,745**	**15,745**	**–**	**–**	**15,745**	**1,170**	**16,915**
Other comprehensive income											
Currency translation differences		**–**	**–**	**496**	**–**	**496**	**–**	**–**	**496**	**(85)**	**411**
Total comprehensive income		**–**	**–**	**496**	**15,745**	**16,241**	**–**	**–**	**16,241**	**1,085**	**17,326**
Transactions with owners											
Adjustment in respect of employee share schemes		**–**	**500**	**–**	**–**	**500**	**–**	**–**	**500**	**–**	**500**
Deferred tax on employee share schemes		**–**	**194**	**–**	**–**	**194**	**–**	**–**	**194**	**–**	**194**
Dividends paid	**12**	**–**	**–**	**–**	**(6,659)**	**(6,659)**	**–**	**–**	**(6,659)**	**(772)**	**(7,431)**
Total transactions with owners		**–**	**694**	**–**	**(6,659)**	**(5,965)**	**–**	**–**	**(5,965)**	**(772)**	**(6,737)**
Balance at 2 January 2011		**6,966**	**1,071**	**3,758**	**35,518**	**47,313**	**(31,700)**	**919**	**16,532**	**2,613**	**19,145**
Company											
Balance at 29 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		
Comprehensive income											
Profit for the year		**–**	**–**	**–**	**14,452**	**14,452**	**–**	**–**	**14,452**		
Total comprehensive income		**–**	**–**	**–**	**14,452**	**14,452**	**–**	**–**	**14,452**		
Transactions with owners											
Dividends paid	12	–	–	–	(6,659)	(6,659)	–	–	(6,659)		
Total transactions with owners		–	–	–	(6,659)	(6,659)	–	–	(6,659)		
Balance at 2 January 2011		**6,966**	**–**	**–**	**8,104**	**15,070**	**–**	**71,019**	**86,089**		

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

Consolidated cash flow statement

	Notes	Group 2010 52 weeks £'000	Group 2009 53 weeks £'000	Company 2010 52 weeks £'000	Company 2009 53 weeks £'000
Cash flows from operating activities					
Cash generated from operations	24	**34,139**	33,160	**--**	–
Interest paid		**(1,240)**	(1,851)	**(557)**	(1,096)
Income tax (paid)/received		**(5,335)**	(4,532)	**522**	404
Net cash generated from/(used in) operating activities		**27,564**	26,777	**(35)**	(692)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(17,573)**	(12,126)	**--**	–
Proceeds from sale of property, plant and equipment		**83**	57	**--**	–
Purchases of intangible assets		**(275)**	(38)	**--**	–
Interest received		**135**	179	**--**	–
Dividends received		**--**	–	**14,852**	6,500
Net cash (used in)/generated from investing activities		**(17,630)**	(11,928)	**14,852**	6,500
Cash flows from financing activities					
Proceeds from borrowings		**7,700**	1,294	**--**	–
Repayments of borrowings		**(8,063)**	(10,359)	**--**	–
Repayment of inter-company loan		**--**	--	**(8,158)**	--
Dividends paid to Company shareholders		**(6,659)**	(5,809)	**(6,659)**	(5,809)
Dividends paid to minority interests		**(772)**	(534)	**--**	–
Net cash used in financing activities		**(7,794)**	(15,408)	**(14,817)**	(5,809)
Net increase/(decrease) in cash and cash equivalents		**2,140**	(559)	**--**	(1)
Cash and cash equivalents at beginning of the year		**24,141**	25,785	**1**	2
Exchange losses on cash and cash equivalents		**(140)**	(1,085)	**--**	–
Cash and cash equivalents at end of the year	18	**26,141**	24,141	**1**	1

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

Notes to the financial statements

1 General information

Hilton Food Group plc ("the Company") and its subsidiaries (together "the Group") is a specialist retail meat packing business supplying major international food retailers in eleven 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 52 weeks to 2 January 2011 (prior financial year 53 weeks to 3 January 2010).

These consolidated financial statements were approved for issue on 30 March 2011.

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 £14,452,000 (2009: £5,999,000).

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 2 January 2011 and 3 January 2010. The statutory accounts for the year to 3 January 2010 have been delivered to the Registrar of Companies, whereas those for the year to 2 January 2011 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 2 January 2011 and 3 January 2010.

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 2 January 2011. 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 2010

IAS 27 (revised), 'Consolidated and separate financial statements' (effective 1 July 2009). This revised standard requires transactions with non-controlling interests to be recorded in equity if there is no change in control. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

IFRS 2 (amendment), 'Share based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010). These amendments determine the classification of share based payment awards. Amended definitions remove previous inconsistencies.

IFRS 3 (revised), 'Business combinations' (effective 1 July 2009). The standard continues to apply the acquisition method to business combinations with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date with some contingent payments subsequently re-measured at fair value through income. Goodwill and non-controlling interests may be calculated on a gross or net basis. Transaction costs will be expensed.

IFRIC 17, 'Distributions of non cash assets to owners' (effective 1 July 2009). This interpretation clarifies how an entity should measure distributions of assets other than cash when it pays dividends to its owners. The interpretation states that (a) a dividend payable should be recognised when appropriately authorised, (b) it should be measured at the fair value of the net assets to be distributed, and (c) the difference between the fair value of the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss.

(b) Standards, amendments and interpretations effective in 2010 but not relevant to the Group or Company's operations

IAS 39 (amendment), 'Financial instruments: Recognition and measurement', on Eligible hedged items (effective 1 July 2009)

IFRS 1 (amendment), 'First time adoption of IFRS additional exemptions' (effective 1 January 2010)

IFRIC 12,'Service concession arrangements' (effective 30 March 2009)

IFRIC 18, 'Transfer of assets from customers' (effective 1 July 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

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

IFRIC 14 (amendment), 'IAS 19 - Prepayments of a minimum funding requirement' (effective 1 January 2011)

IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011)

IAS 32 (amendment), 'Financial Instruments: Presentation' and IAS 1: 'Presentation on classification of rights issue' (effective 1 February 2010)

IFRS 1 (amendment), 'First time adoption of IFRS' (effective 1 July 2011)

IFRS 7 (amendment), 'Financial instruments: Disclosures on derecognition' (effective 1 July 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. Assets in the course of construction are not depreciated until commissioned.

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.

Borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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 same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pensions and other post-employment benefits

The Group operates defined contribution schemes for certain employees in the UK, 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 the Company's shareholders.

Comparative information

Certain comparative information has been restated to reflect a fairer comparison with the current information. These restatements relate to a reclassification in note 5 of hire of plant and machinery costs to operating lease costs and have not affected the results of the group for the period ended 3 January 2010 or shareholders' funds as at 3 January 2010.

3 Financial risk management

Financial risk factors

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

(a) Market risk

(i) Price risk

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

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk in the normal course of business in its overseas operations, principally on transactions in Euros, Swedish Krona, Danish Krone and 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

	2010		2009	
	Income statement	**Equity**	Income statement	Equity
Group	**£'000**	**£'000**	£'000	£'000
Annual effect of a change in Group-wide interest rates by 0.5%	**+123**	**+123**	+144	+144
	-123	**-123**	-144	-144
Annual effect of a change in exchange rates to the GBP £ by 10%	**+2,008**	**+4,076**	+1,691	+3,559
	-1,681	**-3,373**	-1,394	-2,922

(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 £76.1m (2009: £68.2m) 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 £26.1m (2009: £24.1m) 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:

	2010			2009		
	Borrowings	**Finance leases**	**Trade and other payables**	Borrowings	Finance leases	Trade and other payables
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Less than one year	**8,171**	**343**	**121,612**	9,592	340	110,539
Between one and two years	**10,716**	**338**	**--**	7,685	348	–
Between two and five years	**25,524**	**1,054**	**--**	20,833	1,098	–
Over five years	**--**	**3,430**	**--**	7,480	3,857	–

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 0.5 (2009: 0.6) 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 2010 and 2009 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 six operating segments: i) United Kingdom; ii) Netherlands; iii) Republic of Ireland; iv) Sweden; v) Denmark and vi) Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia. The United Kingdom, Netherlands, Republic of Ireland, Sweden and Denmark have been aggregated into one reportable segment 'Western Europe' as they have similar economic characteristics as identified in IFRS 8. Central Europe 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 £'000	**Central Europe £'000**	**2010 Total £'000**	Western Europe £'000	Central Europe £'000	2009 Total £'000
Total segment revenue	**777,717**	**87,637**	**865,354**	758,699	70,373	829,072
Inter–segment revenue	**(1,131)**	**–**	**(1,131)**	(2,981)	–	(2,981)
Revenue from external customers	**776,586**	**87,637**	**864,223**	755,718	70,373	826,091
Operating profit/segment result	**20,786**	**2,530**	**23,316**	19,452	2,280	21,732
Finance income	**83**	**52**	**135**	142	37	179
Finance costs	**(1,078)**	**(162)**	**(1,240)**	(1,524)	(327)	(1,851)
Income tax expense	**(4,835)**	**(461)**	**(5,296)**	(4,426)	(413)	(4,839)
Profit for the year	**14,956**	**1,959**	**16,915**	13,644	1,577	15,221
Depreciation and amortisation	**12,225**	**1,729**	**13,954**	12,814	1,493	14,307
Additions to non-current assets	**19,603**	**3,516**	**23,119**	10,507	1,657	12,164
Segment assets	**171,042**	**20,432**	**191,474**	152,861	17,362	170,223
Deferred income tax assets			**1,021**			492
Total assets			**192,495**			170,715
Segment liabilities	**123,965**	**14,466**	**138,431**	108,826	13,177	122,003
Borrowings			**30,576**			36,380
Current income tax liabilities			**3,306**			2,180
Deferred income tax liabilities			**1,037**			1,596
Total liabilities			**173,350**			162,159

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, Netherlands, Republic of Ireland, Sweden and Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia.

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

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Analysis by geographical area				
United Kingdom – country of domicile	**255,125**	255,365	**11,173**	12,728
Netherlands	**252,095**	246,407	**12,820**	12,638
Sweden	**186,700**	171,189	**6,921**	9,378
Republic of Ireland	**81,443**	82,757	**8,731**	10,228
Denmark	**1,223**	--	**12,542**	--
Central Europe	**87,637**	70,373	**7,712**	5,931
	864,223	826,091	**59,899**	50,903
Analysis by principal customer				
Customer 1	**494,390**	465,983		
Customer 2	**361,540**	347,262		
Other	**8,293**	12,846		
	864,223	826,091		

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:

	2010	2009
Group	**£'000**	£'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**129**	128
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**143**	112
– Other services pursuant to legislation	**43**	43
– Services relating to taxation	**75**	119
– All other services	**11**	18
Total fees payable to the Company's auditors and its associates	**401**	420
Fees payable to other auditors in respect of services provided to subsidiary undertakings	**66**	64

7 Expenses by nature

	2010	2009
Group	**£'000**	£'000
Changes in inventories of finished goods and work in progress	**(760)**	1,773
Raw materials and consumables used	**696,147**	665,361
Employee benefit expense (note 8)	**54,897**	49,554
Depreciation, amortisation and impairment charges – owned assets	**13,758**	14,116
Depreciation, amortisation and impairment charges – leased assets	**196**	191
Release of deferred income in respect of government grants	**--**	(53)
Repairs and maintenance expenditure on property, plant and equipment	**10,030**	10,440
Trade receivables – impairment	**190**	98
Hire of plant and machinery	**221**	135
Transportation expenses	**11,217**	9,199
Operating lease payments	**6,751**	6,581
Foreign exchange losses	**12**	516
Other expenses	**48,248**	46,448
Total cost of sales, distribution costs and administrative expenses	**840,907**	804,359

8 Employee benefit expense

Group	2010 £'000	2009 £'000
Staff costs during the year		
Wages and salaries	**45,674**	41,248
Social security costs	**7,278**	6,614
Share options granted to Directors and employees	**500**	281
Other pension costs	**1,445**	1,411
	54,897	49,554

	2010 Number	2009 Number
Average number of persons employed (including Executive Directors) during the year by activity		
Production	**1,557**	1,366
Administration	**352**	279
	1,909	1,645

Group	2010 £'000	2009 £'000
Key management compensation (including Directors)		
Salaries and short-term employee benefits	**3,432**	4,045
Post-employment benefits	**188**	236
Share-based payments	**350**	197
	3,970	4,478

Group	2010 £'000	2009 £'000
Directors' emoluments		
Aggregate emoluments	**2,360**	2,574
Company contribution to money purchase pension scheme	**136**	133
	2,496	2,707

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 (2009: £nil).

9 Finance income and costs

Group	2010 £'000	2009 £'000
Finance income		
Interest income on short-term bank deposits	**133**	152
Interest on income taxes	**2**	27
Finance income	**135**	179
Finance costs		
Bank borrowings	**(896)**	(1,276)
Finance leases	**(232)**	(247)
Exchange losses on foreign currency borrowings	**(63)**	(185)
Other interest expense	**(49)**	(143)
Finance costs	**(1,240)**	(1,851)
Finance costs – net	**(1,105)**	(1,672)

10 Income tax expense

Group	2010 £'000	2009 £'000
Current income tax		
Current tax on profits for the year	**6,205**	5,495
Adjustments to tax in respect of previous years	**98**	103
Total current tax	**6,303**	5,598
Deferred income tax		
Origination and reversal of temporary differences	**(844)**	(655)
Adjustments to tax in respect of previous years	**(163)**	(104)
Total deferred tax	**(1,007)**	(759)
Income tax expense	**5,296**	4,839

Deferred tax charged directly to equity during the year in respect of employee share schemes amounted to £194,000 (2009: £nil).

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% (2009: 28%) applied to profits of the consolidated entities as follows:

	2010 £'000	2009 £'000
Profit before income tax	**22,211**	20,060
Tax calculated at the standard rate of UK Corporation Tax 28% (2009: 28%)	**6,219**	5,617
Expenses not deductible for tax purposes	**52**	156
Adjustments to tax in respect of previous years	**(65)**	14
Profits taxed at rates other than 28% (2009: 28%)	**(972)**	(948)
Other	**62**	–
Income tax expense	**5,296**	4,839

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	2010	2009
Profit attributable to owners of the parent (£'000)	**15,745**	14,009
Weighted average number of ordinary shares in issue (thousands)	**69,657**	69,657
Basic and diluted earnings per share (pence)	**22.6**	20.1

12 Dividends

Group	2010 £'000	2009 £'000
Second interim dividend in respect of 2009 paid 5.54p per ordinary share (2009: nil)	**3,859**	--
Final dividend in respect of 2009 paid 1.22p per ordinary share (2009: 5.74p)	**850**	3,998
Interim dividend in respect of 2010 paid 2.8p per ordinary share (2009: 2.6p)	**1,950**	1,811
Total dividends paid	**6,659**	5,809

The Directors propose a final dividend of 7.4p per share payable on 1 July 2011 to shareholders who are on the register at 3 June 2011. This dividend totalling £5.2m has not been recognised as a liability in these consolidated financial statements.

At its Annual General Meeting held on 26 May 2010 the Company passed a special resolution authorising new dividends to replace dividends paid during the period from incorporation to 3 July 2009 which were subject to a technical infringement of the Companies Act 2006.

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 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 29 December 2008	14,857	33,151	3,152	165	51,325
At 3 January 2010	12,902	32,759	2,420	171	48,252
Cost					
At 3 January 2010	**22,054**	**97,321**	**9,589**	**366**	**129,330**
Exchange adjustments	**(371)**	**263**	**299**	**--**	**191**
Additions	**3,054**	**19,171**	**464**	**155**	**22,844**
Disposals	**--**	**(585)**	**(139)**	**(142)**	**(866)**
At 2 January 2011	**24,737**	**116,170**	**10,213**	**379**	**151,499**
Accumulated depreciation					
At 3 January 2010	**9,152**	**64,562**	**7,169**	**195**	**81,078**
Exchange adjustments	**(123)**	**205**	**225**	**--**	**307**
Charge for the year	**1,451**	**10,318**	**1,245**	**73**	**13,087**
Disposals	**--**	**(549)**	**(122)**	**(138)**	**(809)**
At 2 January 2011	**10,480**	**74,536**	**8,517**	**130**	**93,663**
Net book amount					
At 2 January 2011	**14,257**	**41,634**	**1,696**	**249**	**57,836**

Depreciation charges are included within administrative expenses in the income statement. Land and buildings are held under short leaseholds. Details of bank borrowings secured on assets of the Group are given in note 19. The cost and net book amount of property plant and equipment in the course of its construction included above comprise land and buildings £2,905,000 (2009: £nil) and plant and machinery £11,440,000 (2009: £296,000).

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

	2010 £'000	2009 £'000
Cost – capitalised finance leases	**3,576**	3,745
Accumulated depreciation	**(1,225)**	(1,070)
Net book amount	**2,351**	2,675

Included in assets held under finance leases are land and buildings with a net book amount of £2,299,000 (2009: £2,567,000) and plant and machinery with a net book amount of £52,000 (2009: £108,000).

14 Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
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 29 December 2008	1,269	1,566	836	3,671
At 3 January 2010	755	1,060	836	2,651
Cost				
At 3 January 2010	**8,108**	**2,984**	**836**	**11,928**
Exchange adjustments	**(289)**	**141**	**–**	**(148)**
Additions	**47**	**228**	**–**	**275**
At 2 January 2011	**7,866**	**3,353**	**836**	**12,055**
Accumulated amortisation				
At 3 January 2010	**7,353**	**1,924**	**–**	**9,277**
Exchange adjustments	**(263)**	**111**	**–**	**(152)**
Charge for the year	**355**	**512**	**–**	**867**
At 2 January 2011	**7,445**	**2,547**	**–**	**9,992**
Net book amount				
At 2 January 2011	**421**	**806**	**836**	**2,063**

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

15 Investments in subsidiary undertakings

Company	**2010 £'000**	2009 £'000
At 3 January 2010 and 2 January 2011	**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

Group	**2010 £'000**	2009 £'000
Raw materials and consumables	**16,141**	12,458
Finished goods and goods for resale	**4,205**	4,877
	20,346	17,335

The cost of inventories recognised as an expense and included in cost of sales amounted to £695,387,000 (2009: £667,134,000). The Group charged £60,000 in respect of inventory write-downs (2009: £168,000). The amount charged has been included in cost of sales in the income statement.

17 Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Trade receivables	**76,158**	68,302	**--**	–
Less: provision for impairment of trade receivables	**(63)**	(101)	**--**	–
Trade receivables – net	**76,095**	68,201	**--**	–
Amounts owed by Group undertakings	**--**	–	**195**	522
Amounts owed by related parties (see note 27)	**188**	733	**--**	–
Other receivables	**5,547**	5,584	**--**	–
Prepayments	**3,258**	3,326	**--**	–
	85,088	77,844	**195**	522

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

	Group		Company	
	2010	2009	**2010**	2009
Currency	**£'000**	£'000	**£'000**	£'000
UK Pound	**15,705**	15,607	**195**	522
Euro	**44,089**	41,446	**--**	–
Swedish Krona	**18,974**	17,428	**--**	–
Danish Krone	**1,175**	--	**--**	--
Polish Zloty	**5,145**	3,363	**--**	–
	85,088	77,844	**195**	522

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 £63,000 (2009: £101,000). The individually impaired receivables mainly relate to invoices which are in dispute. It was assessed that a portion of the receivables is expected to be recovered. The trade receivables that were impaired were all overdue by more than six months. There were no other trade receivables which were overdue. The other classes within trade and other receivables do not contain impaired assets. The trade receivables which are not impaired or overdue are all less than 30 days old.

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

	2010	2009
Group	**£'000**	£'000
At 3 January 2010	**101**	69
Provision for receivables impairment	**190**	98
Receivables written off during the year as uncollectable	**(227)**	(61)
Exchange differences	**(1)**	(5)
At 2 January 2011	**63**	101

18 Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Cash at bank and on hand	**26,141**	24,141	**1**	1

19 Borrowings

	2010	2009
Group	**£'000**	£'000
Current		
Bank borrowings	**8,711**	8,297
Finance lease liabilities	**117**	127
	8,828	8,424
Non-current		
Bank borrowings	**32,306**	33,008
Finance lease liabilities	**3,053**	3,263
	35,359	36,271
Total borrowings	**44,187**	44,695

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:

	2010	2009
Currency	**£'000**	£'000
UK Pound	**30,595**	36,414
Euro	**13,592**	7,703
Swedish Krona	**--**	578
	44,187	44,695

The Group reorganisation loan of £30,576,000 (2009: £36,380,000) is repayable in quarterly instalments by 28 February 2015. Interest is charged at LIBOR plus 1.75% subject to interest rate caps over £17m of borrowings where LIBOR is capped at 4.5%. Other bank borrowings are repayable by 2013 to 2016 with interest charged at EURIBOR plus 1.75%.

Bank borrowings totalling £41,017,000 (2009: £41,305,000) 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	
	2010	2009	**2010**	2009
Group	**£'000**	£'000	**£'000**	£'000
No later than one year	**343**	347	**117**	127
Later than one year and no later than five years	**1,392**	1,421	**573**	571
Later than five years	**3,430**	3,934	**2,480**	2,692
	5,165	5,702	**3,170**	3,390
Future finance charges on finance leases	**(1,995)**	(2,312)	**--**	–
Present value of finance lease liabilities	**3,170**	3,390	**3,170**	3,390

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 £4,778,000 (2009: £5,232,000). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 1.0% (2009: 1.0%).

20 Trade and other payables

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Trade payables	**98,360**	80,644	**–**	–
Amounts owed to Group undertakings	**–**	–	**17,244**	25,402
Amounts owed to related parties (see note 27)	**6,943**	10,369	**–**	–
Social security and other taxes	**3,208**	3,149	**–**	–
Accruals and deferred income	**16,309**	19,526	**4**	5
	124,820	113,688	**17,248**	25,407

The fair values 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:

	Accelerated capital allowances	Other timing differences	Deferred income tax assets total	Deferred income tax liabilities: Accelerated capital allowances
Group	£'000	£'000	£'000	£'000
At 29 December 2008	312	52	364	(2,186)
Exchange differences	(15)	–	(15)	(26)
Income statement charge	139	4	143	616
At 3 January 2010	436	56	492	(1,596)
Exchange differences	**–**	**–**	**–**	**(113)**
Income statement credit/(charge)	**553**	**(24)**	**529**	**478**
Adjustment in respect of employee share schemes	**–**	**–**	**–**	**194**
At 2 January 2011	**989**	**32**	**1,021**	**(1,037)**

The deferred income tax liability above includes £650,000 (2009: £417,000) which is estimated will reverse within 12 months.

22 Share capital

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Issued and fully paid				
69,656,667 ordinary shares of 10p 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 10 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 over a three year period. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options are exercisable starting three years from the grant date and must be exercised within six months thereafter. No performance conditions are attached to the options granted under the scheme. No options are yet exercisable.

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

	2010				2009			
	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 3 January 2010	**2,670**	**185.74**	**487**	**147.00**	1,279	199.50	–	–
Granted	**1,109**	**246.00**	**178**	**246.00**	1,506	174.75	487	147.00
Forfeited	**(27)**	**213.96**	**--**	**--**	(115)	194.95	–	–
At 2 January 2011	**3,752**	**203.34**	**665**	**173.57**	2,670	185.74	487	147.00

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

		Number options	
Expiry date	Exercise price (pence)	**2010 ('000)**	2009 ('000)
June 2013	147.00	**487**	487
December 2013	246.00	**178**	--
May 2018	199.50	**1,178**	1,185
May 2019	174.75	**1,478**	1,485
May 2020	246.00	**1,096**	--

The fair value of options granted during the period determined using the Black-Scholes valuation model was 29p to 52p 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 1.77% 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	2010 **£'000**	2009 £'000
Profit before income tax	**22,211**	20,060
Finance costs – net	**1,105**	1,672
Operating profit	**23,316**	21,732
Adjustments for non-cash items:		
Depreciation	**13,087**	13,400
Amortisation of intangible assets	**867**	907
(Profit)/loss on disposal of property, plant and equipment	**(26)**	7
Amortisation of government grants	**–**	(53)
Adjustment in respect of employee share schemes	**500**	281
Changes in working capital:		
Inventories	**(2,822)**	1,101
Trade and other receivables	**(7,186)**	(2,525)
Prepaid expenses	**140**	327
Trade and other payables	**9,229**	(562)
Accrued expenses	**(2,966)**	(1,455)
Cash generated from operations	**34,139**	33,160

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
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Property, plant and equipment	**5,682**	562	**–**	–

(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
	2010	2009	**2010**	2009
Group	**£'000**	£'000	**£'000**	£'000
No later than one year	**6,733**	5,234	**823**	682
Later than one year and no later than five years	**25,684**	13,409	**1,789**	1,657
Later than five years expiring 2016 to 2023	**10,627**	8,839	**–**	3
	43,044	27,482	**2,612**	2,342

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	Proportion of ordinary shares held by 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%
Hilton Food Group Sverige AB	Sweden	Specialist meat packing	–	100%
Hilton Foods Danmark A/S	Denmark	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	
	2010	2009	**2010**	2009
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**2,131**	10,082	**56,706**	74,421
Romford Wholesale Meats Limited	**--**	–	**44,487**	46,496
RWM Dorset Limited	**--**	–	**20,947**	22,478
Foyle Food Group Limited	**--**	–	**--**	37,894

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

	Owed from related parties		Owed to related parties	
	2010	2009	**2010**	2009
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**188**	733	**2,831**	2,553
Romford Wholesale Meats Limited	**--**	–	**2,645**	1,884
RWM Dorset Limited	**--**	–	**1,467**	2,331
Foyle Food Group Limited	**--**	--	**--**	3,601
	188	733	**6,943**	10,369

The ultimate shareholders of all of the above companies have an interest in the share capital of the Company. Foyle Food Group Limited ceased to be a related party during 2009.

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

	2010	2009
Company	**£'000**	£'000
Hilton Foods Limited – dividend received	**14,852**	6,500
Hilton Foods Limited – interest expense	**557**	696
Hilton Meats (Retail) Limited – tax on group relief	**195**	522

At the year-end £17,244,000 (2009: £25,402,000) was owed to Hilton Foods Limited and £195,000 (2009: £522,000) 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	
	2010	2009
Group	**£'000**	£'000
Assets as per balance sheet		
Trade and other receivables	**81,830**	74,518
Cash and cash equivalents	**26,141**	24,141
	107,971	98,659

	Other financial liabilities at amortised cost	
	2010	2009
Group	**£'000**	£'000
Liabilities as per balance sheet		
Trade and other payables	**121,612**	110,539
Borrowings	**44,187**	44,695
	165,799	155,234

In addition to the above amounts owed to the Company by Group undertakings of £195,000 (2009: £522,000) are classified as 'loans and receivables' and amounts owed by the Company to Group undertakings of £17,244,000 (2009: £25,402,000) are classified as 'other financial liabilities at amortised cost'.