28 March 2013

Hilton Food Group plc

Preliminary results for 2012

WELL POSITIONED FOR GROWTH

Hilton Food Group plc, Europe's leading specialist retail meat packing business supplying major international food retailers in thirteen countries, today announces its preliminary results for the 52 weeks ended 30 December 2012.

2012 FINANCIAL HIGHLIGHTS

	2012 52 weeks to 30 December 2012	**2011** 52 weeks to 1 January 2012	% **Change**
Revenue	**£1,031.0m**	**£981.3m**	**+5.1**
Operating profit	**£26.0m**	**£25.9m**	**+0.3**
Profit after tax	**£18.9m**	**£18.6m**	**+1.7**
Basic earnings per share	**24.9p**	**24.7p**	**+0.8**
Closing net debt	**£5.2m**	**£18.7m**	**-72.2**
Dividends paid and proposed in respect of 2012	**12.0 p**	**11.1 p**	**+8.1**

2012 BUSINESS HIGHLIGHTS

- Revenue growth of 5.1% to over £1bn.
- Volume growth of 4.8% despite challenging market conditions.
- Cash generation of £20.5m, after the maintenance of a high level of investment in equipment and facilities, and a 72% reduction in net debt, from £18.7m to £5.2m.
- Strong balance sheet with gearing at 0.1 times EBITDA and interest cover at 21 times underpinning future expansion and a progressive dividend policy.
- Dividends increased by 8.1%
- The joint venture with Woolworths Limited in Australia announced in January 2013 marks the Group's first expansion beyond Europe into the faster growing Asia Pacific region.

Commenting, Robert Watson OBE, Chief Executive said:

"I am pleased to report that in 2012 Hilton has delivered another resilient performance. The Group has maintained a high level of investment in its meat packing facilities across Europe while exploring opportunities to progressively and profitably expand its business. Our joint venture with Woolworths in Australia represents the Group's first expansion beyond its European heartland and illustrates well the transferability of its business model."

Enquiries

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Chairman's statement

A SOUND PLATFORM FOR GROWTH

Our objective is to improve and grow our business on a consistent and profitable basis, in order to deliver sustainable long term value for both our retail partners and shareholders. The Group currently supplies customers in thirteen countries across Europe and in January 2013 entered into a joint venture with Woolworths in Australia. Continued progress was achieved in 2012, despite very difficult economic conditions, and our entry into the faster growing Asia Pacific region represents an exciting next step for the Group.

SUMMARY OF GROUP PERFORMANCE

In 2012 volumes of meat packed for Hilton's customers increased by 5%, with revenue rising by a similar percentage to over £1bn. This reflected both the growth in our new business in Denmark and further growth in Central Europe.

Against the backdrop of a very challenging environment for the consumer, operating profit, at £26m, and basic earnings per share, at 24.9p, show marginal growth over last year's levels.

In these uncertain times, cash generation remains fundamentally important. Capital expenditure of £12.4m included investment at all our sites, to drive efficiency gains, extend product ranges, take advantage of advances in packing technology and facilitate continued volume growth. Despite maintaining this high level of investment, the Group reduced its net borrowings by 72% from £18.7m to £5.2m, and with a strong balance sheet is well positioned to deliver sustainable growth.

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

OUR MANAGEMENT AND EMPLOYEES

The Group currently employs over two thousand employees, in six European countries. Its business model is decentralised, with capable, largely self-sufficient management teams in place in each country. We consider this structure to be important, as it achieves close working relationships with our customers, who benefit from dedicated, flexible and rapid support. The progress we have made in recent years in tough trading conditions has not been achieved by chance; credit must go to all our managers and employees, who throughout the year have displayed a high level of commitment and professionalism.

The Board fully understands and appreciates just how much our progress relies on the effort, personal commitment, enthusiasm, enterprise and initiative of our employees and I would like to take this opportunity, on behalf of the Board, to personally thank all of them both for their dedicated efforts during 2012 and continuing commitment to the Group's on-going growth and development.

THE BOARD

The Board is responsible for the long-term success of the Group and to achieve this it contains an appropriate mix of skills and depth of practical experience, which is available to support and guide our management teams across a progressively widening range of countries. After a long and distinguished career with Hilton, Colin Patten stood down from his Board role in 2012 and we wish him well in his retirement. I would like to take this opportunity to thank my colleagues on the Board for their continued wise counsel and support.

HILTON'S STRATEGIC APPROACH

The Group's strategy is to build long term customer and shareholder value by focusing on the following three key themes:

- Building volumes and extending product ranges and services to existing customers;
- Maintaining an uncompromising focus on reducing unit costs while improving product quality and service provision; and
- Entering new territories with new customers or in partnership with existing customers.

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

OUR DIVIDEND POLICY

The Board aims to maintain a dividend policy that provides a dividend level that grows broadly in line with the underlying earnings of the Group. I am pleased to report that the Board has recommended a final dividend of 8.6p per ordinary share in respect of 2012. This, together with the interim dividend of 3.4p per ordinary share paid in December 2012, represents an 8.1% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 28 June 2013 to shareholders on the register on 31 May 2013 and the shares will be ex dividend on 29 May 2013.

THE OUTLOOK

Hilton's growth prospects are encouraging. The short term economic outlook in our European markets, however, remains relatively challenging, continuing to feature both comparatively high prices for meat and other key basic foodstuffs and maintained pressure on consumer spending.

In the early months of 2013 Hilton's performance has been in line with the Board's expectations, with weaker demand in some countries largely offset by the impact of favourable exchange rate movements. The Group's business model has proved resilient in difficult trading conditions and, although in its initial year income from the joint venture in Australia will be offset by start-up costs, Hilton remains well placed to make further progress.

Sir David Naish DL
Non-Executive Chairman
27 March 2013

Chief Executive's summary

CONTINUED INVESTMENT ON BEHALF OF OUR CUSTOMERS

Our ambition is to be the most professional specialist meat packing company in Europe and in 2012 further progress was achieved in this regard. Throughout last year we continued to invest in our facilities whilst also broadening the scope of the services we offer to our retail customers, with, for example, the successful commissioning and build-up of the robotic store order picking facility in Denmark. Our entry into the Asia Pacific region marks a new phase in our development and we feel there is clear potential for our business model, which combines centralised meat sourcing, processing and packing with associated logistical support where required, beyond Europe.

FINANCIAL OVERVIEW

Our European businesses comprise two distinct operating segments:

Western Europe

Operating profit of £23.7m (2011: £23.2m) on turnover of £935.4m (2011: £888.7m)

This operating segment covers the Group's businesses in the UK, Ireland, Holland, Sweden and Denmark. Volume growth achieved was 4.7%, with turnover growth of 5.3%. This reflected further growth in Denmark and the recovery of higher raw material prices, partly offset by the effect of adverse movements in exchange rates and consumer downtrading to less expensive meat cuts. Following their progressive expansion into Belgium, we now supply a number of Albert Heijn's stores in this country.

The new robotic store order picking facility for Coop Danmark commenced production in May 2012. Volumes handled, including a range of third party products such as poultry, have built up in line with our expectations. Services such as this, which enable us to manage the meat supply chain more efficiently from raw material procurement to store delivery, represent an important addition to our supply chain optimisation capability.

Central Europe

Operating profit of £2.3m (2011: £2.7m) on turnover of £95.6m (2011: £92.6m)

In Central Europe the Group's meat packing business, based at Tychy in Poland, supplies three customer groups across Central Europe, from Hungary to the Baltics. This multi-customer 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. Volume growth of 5.6% was achieved in 2012, with turnover growth of 3.2%, the recovery of higher raw material meat prices again being offset by adverse movements in exchange rates.

Continued growth and a rigorous focus on cost control remain the key to achieving the very low levels of unit packing costs required for our customers to be able to compete strongly and grow in these increasingly competitive developing markets.

OUR FOCUS ON QUALITY, INNOVATION, EFFICIENCY AND FOOD SAFETY

To ensure our competitiveness, we seek to keep ourselves at the forefront of the meat packing industry. We are a committed partner with a continuing record of delivering value through quality products with the highest levels of food safety and integrity, whilst providing a range of services which enable our customers to evolve and improve their supply chain management. We constantly seek to drive further efficiencies and our modern, well invested facilities are considered a key factor in keeping unit packing costs as low as possible.

Over the nine years to December 2012, we have invested continuously, across all areas of our business, from the sourcing of raw materials, the design of packaging materials, increased efficiency in processing and storage solutions and updating our IT infrastructure, with capital expenditure over this period totalling over £150m. This investment, combined with continuing volume growth, has allowed us to partly offset inflationary pressures, including the progressive rise seen over recent years in raw material meat prices.

OUR SUPPLY CHAIN PARTNERSHIPS

Our customer base comprises high quality multiple retailers and our understanding of our customers' needs together with those of their consumers enables us to play an active role in managing their meat supply chains providing agile responses to supply chain challenges as they arise. As our customers' markets change and competition increases, we need to focus on the challenges they face and be able to advance flexible solutions, together with continuing increases in efficiency and cost competitiveness.

The Group's growth has been generated historically by its strong long term relationships with its retail partners, with whom the Group continues to work very closely to deliver high service levels, consistent and dependable product quality, on-going product innovation and dependable levels of food safety and product integrity assurance. 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.

OUR PEOPLE AND CULTURE

During 2012 we completed a detailed review of all our management structures, taking steps to ensure very clear accountability, whilst both putting in place appropriate and readily accessible centres of excellence in technical and specialist areas and preserving the dedicated customer focus of our local management teams. We believe that successful businesses are about having the right people in the right positions working as "one team", with local management teams empowered and encouraged to enable them to support their local customers. I would like to personally thank all our employees for their hard work, loyalty, dedication and professionalism over the last year and to welcome all of the new employees who joined the Hilton team in 2012.

DIVERSITY

We are committed to providing an inclusive working environment where everyone feels valued and respected and where people from different backgrounds, experiences and abilities can bring benefits to our business. Our workforces are in many cases ethnically diverse and we fully recognise the benefits of gender diversity.

FUTURE GROWTH

Hilton's business model has been successful across a range of European countries, appropriately adapted by working in close collaboration with its local customers to meet their specific requirements. We believe it can be transferred over time to a number of new countries and aim to achieve similar levels of benefit delivery with Woolworths in Australia. Our strategy is very straightforward and at its core is focused on strongly supporting our customers' brands and their development in their local markets, whilst achieving attractive and sustainable rates of growth and returns for our shareholders. This single minded and uncomplicated approach has generated continuous growth over an extended period and, with well invested facilities and a strong balance sheet, the Group remains well placed to achieve further progress.

Robert Watson OBE
Chief Executive
27 March 2013

Financial review

A STRONG FINANCIAL BASE

Hilton's financial performance remained resilient in 2012, in what continued to be a very challenging economic environment across Europe. We maintained a high level of investment to support our customers, whilst strengthening our balance sheet, in order to leave us well placed to deliver future growth. This Financial review covers the main highlights of the Group's financial performance and position in 2012, together with the key features of the Group's treasury risk management policies, as well as certain required cautionary statements.

BASIS OF PREPARATION

The Group is presenting its results for the 52 week period ended 30 December 2012, with comparative information for the 52 week period ended 1 January 2012. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2012 FINANCIAL PERFORMANCE

Revenue

Volumes grew overall by 4.8% and further details of volume growth by business segment are set out in the Chief Executive's summary. Revenue rose by 5.1% to £1,031.0m, as compared to £981.3m in 2011, with volume increases in Denmark and Central Europe together with the recovery of higher raw material meat prices being partially offset by adverse exchange rates movements and consumer downtrading to less expensive meat cuts.

Operating profit and margin

Operating profit, at £26.0m was marginally ahead of 2011. The operating profit margin in 2012 was 2.5%, as compared with 2.6% in 2011, reflecting the impact of higher raw material meat prices, which were recovered in selling prices, but do not under all Hilton's pricing arrangements give rise to a corresponding margin increase. Operating profit per kilogram of packed meat sold was 11.8p (11.8p in 2010 and 12.4p in 2011).

Net finance costs

Net finance costs, at £1.3m were 8% below the previous year's level (2011: £1.4m). Interest costs have remained at historically low levels, reflecting continuing low LIBOR and EURIBOR rates which determine the interest rates on the Group's principal borrowings and reducing levels of net debt. Interest cover in 2012 increased to 21 times, as compared with 19 times in 2011.

Profit before taxation

Profit before taxation, at £24.7m, (2011: £24.5m) was higher than last year reflecting the increased operating profit and reduced net finance costs.

Taxation

The taxation charge for the period was £5.8m (2011: £5.9m). This represented an effective taxation rate of 23.5% (2011: 24.1%) reflecting a lower corporate tax rate in the UK.

Earnings per share

Basic earnings per share at 24.9p (2011: 24.7p) were marginally higher than last year, reflecting the lower level of net finance and taxation charges and a decreased minority interest, offset by an increased number of shares in issue, following the exercise of executive and all employee share options. Diluted earnings per share were 24.7p (2011: 24.3p).

Free cash flow and net borrowing levels

Cash flow remained strong in 2012, with the Group generating £20.5m of free cash flow before dividends and financing, after capital expenditure of £12.4m, of which £3.4m was incurred on completing our new Danish facilities. The underlying free cash flow, excluding the new Danish investment, was £23.9m (2011: £21.4m), enabling the Group to materially reduce its level of net debt. Group borrowings, net of cash balances of £31.4m, stood at £5.2m at the end of 2012, as compared with £18.7m at the end of 2011.

Our gearing ratio, as represented by net debt divided by earnings before interest, tax, depreciation and amortisation, reduced to 0.1 times EBITDA (as compared to 0.4 times in 2011). At the end of 2012 the Group had undrawn overdraft facilities of £18.2m (2011: £19.8m). This strong financial position gives us considerable flexibility viewed in terms of potential future expansion.

TREASURY RISK MANAGEMENT POLICIES

Hilton does not engage in speculative trading in financial instruments and transacts only in relation to its underlying business requirements. The Group's policy is designed to ensure adequate financial resources are made available as required for the continuing development and growth of its business whilst taking practical steps to reduce exposures to foreign exchange, interest rate fluctuation, credit, pricing and liquidity risks, as described below:

Foreign exchange rate movements and country specific risks

Whilst the presentational currency of the Group is sterling, the majority of its revenues are earned in other currencies, currently principally the Euro, Swedish Krona and Danish Krone. The earnings of the Group's overseas subsidiaries are translated into sterling at the average exchange rates for the year and their assets and liabilities at the year-end closing rates. Changes in relevant currency parities are monitored on a continuing basis, with the timing of the repatriation of overseas profits and the repayment of any intra group loans to UK holding companies paying due regard to actual and forecast exchange rate movements.

The Group has to date decided not to hedge its foreign exchange rate exposures, the impact of which has been broadly favourable overall over recent years taken as a whole, but this policy is kept under continuing review and will be reappraised as the Group's geographic spread widens. The Group's overseas subsidiaries all have natural hedges in place as they, for the most part, buy raw materials, employ people, source services, sell products and arrange funding in their local currencies. As a result the Group's exposure is principally limited to its equity investment in each overseas subsidiary.

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

Interest rate fluctuation risk

This risk stems from the fact that the interest rates on the Group's borrowings are variable, being at set margins over LIBOR for sterling borrowings or EURIBOR for euro borrowings, which both fluctuate over time. 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 2 year cap at 4.5% on 91% of its sterling term loan from Ulster Bank. The Board will review hedging costs and options should the current low interest rate environment change materially.

Customer credit and pricing risks

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

Liquidity risk

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

FORWARD LOOKING STATEMENTS

The Chairman's statement, Chief Executive's summary, Financial review, Business review and 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 are inherently predictive, speculative and involve risk and uncertainty, simply because they relate to events and depend on circumstances that will occur in the future.

GOING CONCERN BASIS

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

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

On behalf of the Board
Nigel Majewski
Finance Director
27 March 2013

Business review

A strong base for future growth

Hilton's past growth has been accentuated by the consumer trend in most countries towards convenience and one stop shopping which has led to the continuing growth of the large food retailers, together with these retailers' increasing focus on private label, which the Group supplies exclusively.

As the larger retail chains have gained a greater share of the grocery markets, these retail chains have increasingly turned to large scale, centralised meat packing plants capable of producing packed meat products more hygienically and cost effectively. By moving to larger suppliers of pre-packed meat from the optimum logistical locations the retailers concerned have effectively decided to rationalise their supply base, in order to deliver lower costs and higher food safety, food integrity, traceability and quality standards. This has allowed the retailers to focus on their core business and maximise their return on available retail space whilst addressing consumers drive for value and their requirement for total assurance on food integrity, traceability, quality and safety.

This trend is continuing across the world, although individual countries are at different stages of market development, resulting in a wide range of potential future geographical expansion opportunities, albeit in different timescales.

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

Year	1994	2000	2004	2004	2006	2011
Country	UK	Holland	Ireland	Sweden	Poland	Denmark
Location	Huntingdon	Zaandam	Drogheda	Vasteras	Tychy	Aarhus
Customers	Tesco UK	Albert Heijn	Tesco Ireland	ICA	Ahold Central Europe, Tesco Central Europe and Rimi Baltics	Coop Danmark

The joint venture with Woolworths in Australia, announced in January 2013, starts to illustrate the potential breadth of the future geographical expansion opportunity.

Our key resources and relationships

The resources and relationships which we consider vital to our successful future development and which we seek to safeguard comprise:

- Our long term partnership arrangements with successful retail customers, involving close liaison, discussion and co-ordination, designed to ensure that the best possible outcomes are achieved for both parties on an on-going basis;
- Our growing international reputation built on achieved levels of product quality and presentation, food safety and integrity, product innovation, service levels, health and safety, the way in which we treat our employees and suppliers and our proven ability to adapt Hilton's business model to differing customer and country requirements;
- Our well invested modern meat packing facilities at which we have invested over £150m over the last nine years to increase packing capacity in line with our customers growth and maintain them at a state of the art levels;
- Our wide and progressively deepening employee skill base;
- Our broad, diverse and flexible meat supply base, based on close and long term relationships with our suppliers, which enables us to provide sufficient volume of quality products in the short lead times required by our customers;

- Our continuing focus on the environment, employees and local community issues; and
- Our increasing financial strength, with low and reducing levels of net debt and committed banking facilities sufficient to support our existing business for the foreseeable future.

How we measure our performance

The Board monitors a range of financial and non-financial key performance indicators “KPI’s” to measure the Group’s performance over time in building shareholder value and achieving the Group’s strategic objectives. The ten “KPI’s” used by the Board for this purpose, together with our performance over the last two years, is set out below:

Financial KPI’s	**2012**	**2011**	Definition, method of calculation and analysis
Revenue growth (%)	5.1%	13.6%	Year on year revenue growth expressed as a percentage. The 2011 increase reflected the inclusion of the first year’s production from the new facility in Denmark. Excluding the impact of adverse exchange rate movements, revenue growth in 2012 would have been 9.2%.
Operating profit margin (% turnover)	2.5%	2.6%	Operating profit expressed as a percentage of turnover. The slight reduction in 2012 reflected the higher level of raw material meat prices which, whilst recovered, do not in all Hilton’s contractual arrangements feed directly through to correspondingly increased margins.
Operating profit margin (pence per kilogram)	11.8	12.4	Operating profit per kilogram sold. The reduction reflects the reduced operating profit margin.
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£’m)	40.4	42.9	Operating profit before depreciation, amortisation and government capital grants. The reduction in 2012 reflects reduced depreciation charges, which under Hilton’s cost plus arrangements result in correspondingly reduced revenues.
Free cash flow before minorities (£’m)	20.5	6.8	Cash flow before dividends and financing. The sharp increase in 2012 reflected the completion of the capital expenditure on the new facilities in Denmark. Excluding expenditure on equipment for Denmark, underlying free cash flow improved, from £21.4m to £23.9m, on a comparable year on year basis.
Gearing ratio	0.1	0.4	Year-end net debt divided by EBITDA. The gearing ratio improved materially in 2012, as a result of the net debt level being reduced by 72%.
Non-financial KPI’s	**2012**	**2011**	Definition, method of calculation and analysis
Growth in volume of packed meat sales (%)	4.8%	6.0%	Year on year volume growth, expressed as a percentage. The 2012 growth is driven by further growth in Denmark and Central Europe. In other areas, volumes declined slightly overall, with weaker consumer demand in the face of higher raw material meat prices and overall economic pressure.
Employee and labour agency costs (pence per kilogram)	36.5	40.0	Reduction in 2012 reflects efficiency gains, both with the completion of the Danish start-up phase and more generally.
Customer service level (%)	98.8%	98.4%	Packs of meat delivered as a % of the orders placed. Little year on year change, with high service levels being maintained.
Number of product lines	1,900	1,900	Breadth of product range, in terms of number of stock keeping units supplied to customers.

How we manage risk

As with all businesses, the Group is exposed to a range of risks and uncertainties which could have a significant impact on its business, reputation, operating results and financial position.

The Board believes a successful risk management framework balances risk and reward, and applies reasoned judgement and consideration of potential likelihood and impact in determining its principal risks. The Group has a well-developed structure and range of processes for identifying, assessing, prioritising and mitigating these key risks.

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

Risk description	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 expanding, customer base, with sales to subsidiary or associated companies of the Tesco and Ahold groups comprising the larger part of Hilton's revenue in 2012. The large retail chains are continuing to increase their market share of meat products in many countries, as retail customers move away from high street butchers towards one stop convenience shopping in large supermarkets. The continuation of this trend increases the buying power of the Group's customers which in turn increases their negotiating power with the Group, which could enable them to seek better terms over time.
Risk mitigation strategies	The Group is progressively widening its customer base and its maintained investment in state of the art facilities, which together with management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively, being particularly important in difficult economic environments. Hilton operates a decentralised, entrepreneurial business structure, which enables it to work very closely, nimbly and flexibly with its retail partner in each country, to achieve high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety, product integrity and traceability assurance.

Risk description	The Group's growth potential is dependent on the success of its customers and the growth of their packed meat sales.
Potential impact	The Group's products carry the brand labels of the customer to whom its products are supplied and it is therefore dependent on its customers' success in maintaining or improving consumer perception of their own brand names and packed meat offerings.
Risk mitigation strategies	The Group plays a very pro-active role in enhancing its customers' brand values, through providing high quality, competitively priced products, high service levels and continuing product and packaging innovation. It recognises that quality 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, product traceability and accuracy of documentation and targets demanding service levels across all these parameters. The Group works closely with its customers to identify continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage.

Risk description	The progress of the Group's business is dependent on the macroeconomic environment and levels of consumer spending in the countries in which it operates.
Potential impact	No business is immune to difficult economic climates and the consequent pressure on levels of consumer spending, such as those seen recently across Europe.

Risk mitigation strategies	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 sound progress over the recent difficult economic period. It expects to be able to continue to make progress, even if the current difficult economic conditions, as expected, persist in some developed countries for some time.

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

Risk description	The Group's business is dependent on maintaining a wide and flexible global meat supply base.
Potential impact	The Group is reliant on its suppliers to provide sufficient volume of products in the very short lead times required by its customers. The Group sources certain of its meat requirements globally. Tariffs, quotas or trade barriers imposed by countries where the group procures meat, or which they may impose in the future, together with the progress of World Trade Organisation talks and other global trade developments, could materially affect the Group's international procurement ability.
Risk mitigation strategies	The Group maintains a flexible global meat supply base, which is progressively widening as it expands, so as to have in place a wide range of options should any such eventualities occur.

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

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

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

Not all the risks listed are within the Group's control and others may be unknown or currently considered immaterial, but could turn out to be material in the future. The risks set out in the above table, together with our risk mitigation strategies, should be considered in the context of the Group's risk management and internal control framework, details of which are set out in the Corporate Governance statement 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 confirms that to the best of their knowledge and belief:

- the Group and parent company financial statements, prepared in accordance with applicable UK law and in conformity with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and
- the management reports (which comprise the 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 27 March 2013 and is signed on its behalf by:

Directors

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

Consolidated income statement

	Notes	**2012 52 weeks £'000**	2011 52 weeks £'000
Continuing operations			
Revenue	3	**1,031,004**	981,345
Cost of sales		**(904,755)**	(850,893)
Gross profit		**126,249**	130,452
Distribution costs		**(9,149)**	(9,720)
Administrative expenses		**(91,133)**	(94,850)
Operating profit		**25,967**	25,882
Finance income	4	**199**	258
Finance costs	4	**(1,454)**	(1,627)
Finance costs – net	4	**(1,255)**	(1,369)
Profit before income tax		**24,712**	24,513
Income tax expense	5	**(5,807)**	(5,915)
Profit for the year		**18,905**	18,598
Attributable to:			
Owners of the parent		**17,584**	17,199
Non-controlling interests		**1,321**	1,399
		18,905	18,598
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	6	**24.9**	24.7
Diluted (pence)	6	**24.7**	24.3

Consolidated statement of comprehensive income

	2012 52 weeks £'000	2011 52 weeks £'000
Profit for the year	**18,905**	18,598
Other comprehensive income		
Currency translation differences	**(275)**	(1,553)
Other comprehensive income for the year net of tax	**(275)**	(1,553)
Total comprehensive income for the year	**18,630**	17,045
Total comprehensive income attributable to:		
Owners of the parent	**17,392**	15,732
Non-controlling interests	**1,238**	1,313
	18,630	17,045

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

Consolidated balance sheet

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**56,162**	59,179	**-**	-
Intangible assets	9	**1,857**	1,907	**-**	-
Investments in subsidiary undertakings		**-**	-	**102,985**	102,985
Deferred income tax assets		**1,111**	1,134	**-**	-
		59,130	62,220	**102,985**	102,985
Current assets					
Inventories		**21,885**	22,466	**-**	-
Trade and other receivables		**107,811**	104,033	**115**	156
Current income tax assets		**699**	-	**87**	133
Cash and cash equivalents		**31,428**	27,345	**30**	14
		161,823	153,844	**232**	303
Total assets		**220,953**	216,064	**103,217**	103,288
Equity					
Equity attributable to owners of the parent					
Ordinary shares		**7,087**	6,985	**7,087**	6,985
Share premium		**2,562**	372	**2,562**	372
Employee share schemes reserve		**1,238**	1,558	**-**	-
Foreign currency translation reserve		**2,099**	2,291	**-**	-
Retained earnings		**54,932**	45,392	**11,148**	9,970
		67,918	56,598	**20,797**	17,327
Reverse acquisition reserve		**(31,700)**	(31,700)	**-**	-
Merger reserve		**919**	919	**71,019**	71,019
		37,137	25,817	**91,816**	88,346
Non-controlling interests		**3,835**	3,452	**-**	-
Total equity		**40,972**	29,269	**91,816**	88,346
Liabilities					
Non-current liabilities					
Borrowings	10	**25,133**	35,615	**-**	-
Deferred income tax liabilities		**1,579**	641	**-**	-
		26,712	36,256	**-**	-
Current liabilities					
Borrowings	10	**11,497**	10,440	**-**	-
Trade and other payables		**141,772**	138,998	**11,401**	14,942
Current income tax liabilities		**-**	1,101	**-**	-
		153,269	150,539	**11,401**	14,942
Total liabilities		**179,981**	186,795	**11,401**	14,942
Total equity and liabilities		**220,953**	216,064	**103,217**	103,288

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

The financial statements were approved by the Board on 27 March 2013 and were signed on its behalf by:

R Watson
Director

N Majewski
Director

Hilton Food Group plc - Registered number: 06165540

Consolidated statement of changes in equity

Group	Notes	Share capital £'000	Share premium £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
		Attributable to owners of the parent									
Balance at 3 January 2011		6,966	-	1,071	3,758	35,518	(31,700)	919	16,532	2,613	19,145
Profit for the year		-	-	-	-	17,199	-	-	17,199	1,399	18,598
Other comprehensive income											
Currency translation differences		-	-	-	(1,467)	-	-	-	(1,467)	(86)	(1,553)
Total comprehensive income for the year		-	-	-	(1,467)	17,199	-	-	15,732	1,313	17,045
Issue of new shares		19	363	-	-	-	-	-	382	-	382
Adjustment in respect of employee share schemes		-	-	408	-	-	-	-	408	-	408
Tax on employee share schemes		-	9	79	-	-	-	-	88	-	88
Dividends paid	7	-	-	-	-	(7,325)	-	-	(7,325)	(474)	(7,799)
Total transactions with owners		19	372	487	-	(7,325)	-	-	(6,447)	(474)	(6,921)
Balance at 1 January 2012		6,985	372	1,558	2,291	45,392	(31,700)	919	25,817	3,452	29,269
Profit for the year		**-**	**-**	**-**	**-**	**17,584**	**-**	**-**	**17,584**	**1,321**	**18,905**
Other comprehensive income											
Currency translation differences		**-**	**-**	**-**	**(192)**	**-**	**-**	**-**	**(192)**	**(83)**	**(275)**
Total comprehensive income for the year		**-**	**-**	**-**	**(192)**	**17,584**	**-**	**-**	**17,392**	**1,238**	**18,630**
Issue of new shares		**102**	**1,678**	**-**	**-**	**-**	**-**	**-**	**1,780**	**-**	**1,780**
Adjustment in respect of employee share schemes		**-**	**453**	**(168)**	**-**	**-**	**-**	**-**	**285**	**-**	**285**
Tax on employee share schemes		**-**	**59**	**(152)**	**-**	**-**	**-**	**-**	**(93)**	**-**	**(93)**
Dividends paid	7	**-**	**-**	**-**	**-**	**(8,044)**	**-**	**-**	**(8,044)**	**(855)**	**(8,899)**
Total transactions with owners		**102**	**2,190**	**(320)**	**-**	**(8,044)**	**-**	**-**	**(6,072)**	**(855)**	**(6,927)**
Balance at 30 December 2012		**7,087**	**2,562**	**1,238**	**2,099**	**54,932**	**(31,700)**	**919**	**37,137**	**3,835**	**40,972**
Company											
Balance at 3 January 2011		6,966	-	-	-	8,104	-	71,019	86,089		
Profit for the year		-	-	-	-	9,191	-	-	9,191		
Total comprehensive income for the year		-	-	-	-	9,191	-	-	9,191		
Issue of new shares		19	363	-	-	-	-	-	382		
Tax on employee share schemes		-	9	-	-	-	-	-	9		
Dividends paid	7	-	-	-	-	(7,325)	-	-	(7,325)		
Total transactions with owners		19	372	-	-	(7,325)	-	-	(6,934)		
Balance at 1 January 2012		6,985	372	-	-	9,970	-	71,019	88,346		
Profit for the year		**-**	**-**	**-**	**-**	**9,222**	**-**	**-**	**9,222**		
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**9,222**	**-**	**-**	**9,222**		
Issue of new shares		**102**	**1,678**	**-**	**-**	**-**	**-**	**-**	**1,780**		
Adjustment in respect of employee share schemes		**-**	**453**	**-**	**-**	**-**	**-**	**-**	**453**		
Tax on employee share schemes		**-**	**59**	**-**	**-**	**-**	**-**	**-**	**59**		
Dividends paid	7	**-**	**-**	**-**	**-**	**(8,044)**	**-**	**-**	**(8,044)**		
Total transactions with owners		**102**	**2,190**	**-**	**-**	**(8,044)**	**-**	**-**	**(5,752)**		
Balance at 30 December 2012		**7,087**	**2,562**	**-**	**-**	**11,148**	**-**	**71,019**	**91,816**		

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

Consolidated cash flow statement

	Notes	Group 2012 52 weeks £'000	Group 2011 52 weeks £'000	Company 2012 52 weeks £'000	Company 2011 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	11	**40,682**	41,688	**-**	-
Interest paid		**(1,454)**	(1,627)	**(366)**	(435)
Income tax (paid)/received		**(6,804)**	(8,341)	**156**	195
Net cash generated from/(used in) operating activities		**32,424**	31,720	**(210)**	(240)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(12,131)**	(24,350)	**-**	-
Proceeds from sale of property, plant and equipment		**329**	21	**-**	-
Purchases of intangible assets		**(295)**	(873)	**-**	-
Interest received		**199**	258	**-**	-
Dividends received		**-**	-	**9,500**	9,500
Net cash (used in)/generated from investing activities		**(11,898)**	(24,944)	**9,500**	9,500
Cash flows from financing activities					
Proceeds from borrowings		**1,230**	9,309	**-**	-
Repayments of borrowings		**(10,224)**	(6,935)	**-**	-
Repayment of inter-company loan		**-**	-	**(3,010)**	(2,304)
Issue of ordinary shares		**1,780**	382	**1,780**	382
Dividends paid to owners of the parent		**(8,044)**	(7,325)	**(8,044)**	(7,325)
Dividends paid to non-controlling interests		**(855)**	(474)	**-**	-
Net cash used in financing activities		**(16,113)**	(5,043)	**(9,274)**	(9,247)
Net increase in cash and cash equivalents		**4,413**	1,733	**16**	13
Cash and cash equivalents at beginning of the year		**27,345**	26,141	**14**	1
Exchange losses on cash and cash equivalents		**(330)**	(529)	**-**	-
Cash and cash equivalents at end of the year		**31,428**	27,345	**30**	14

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

Notes to the financial statements

1 General information

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

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

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

The financial year represents the 52 weeks to 30 December 2012 (prior financial year 52 weeks to 1 January 2012).

This preliminary announcement was approved for issue on 27 March 2013.

2 Summary of significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 1 January 2012.

Basis of preparation

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

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

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

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 30 December 2012 and 1 January 2012 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

3 Segment information

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

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

From a geographic perspective, the Executive Directors consider that the Group has 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**	**2012 Total £'000**	Western Europe £'000	Central Europe £'000	2011 Total £'000
Total segment revenue	**937,405**	**95,552**	**1,032,957**	891,453	92,600	984,053
Inter–segment revenue	**(1,953)**	**-**	**(1,953)**	(2,708)	-	(2,708)
Revenue from external customers	**935,452**	**95,552**	**1,031,004**	888,745	92,600	981,345
Operating profit/segment result	**23,649**	**2,318**	**25,967**	23,152	2,730	25,882
Finance income	**121**	**78**	**199**	204	54	258
Finance costs	**(1,434)**	**(20)**	**(1,454)**	(1,432)	(195)	(1,627)
Income tax expense	**(5,340)**	**(467)**	**(5,807)**	(5,388)	(527)	(5,915)
Profit for the year	**16,996**	**1,909**	**18,905**	16,536	2,062	18,598
Depreciation and amortisation	**13,242**	**1,135**	**14,377**	15,064	1,839	16,903
Additions to non-current assets	**11,572**	**854**	**12,426**	19,673	279	19,952
Segment assets	**198,113**	**21,030**	**219,143**	194,376	20,554	214,930
Current income tax assets			**699**			-
Deferred income tax assets			**1,111**			1,134
Total assets			**220,953**			216,064
Segment liabilities	**147,056**	**12,636**	**159,692**	146,867	13,475	160,342
Borrowings			**18,710**			24,711
Current income tax liabilities			**-**			1,101
Deferred income tax liabilities			**1,579**			641
Total liabilities			**179,981**			186,795

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

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

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Analysis by geographical area				
United Kingdom – country of domicile	**278,945**	259,462	**9,797**	10,201
Netherlands	**254,476**	263,384	**11,477**	11,874
Sweden	**211,109**	213,363	**4,374**	4,973
Republic of Ireland	**78,976**	82,574	**6,420**	7,419
Denmark	**111,946**	69,962	**20,681**	21,258
Central Europe	**95,552**	92,600	**5,270**	5,361
	1,031,004	981,345	**58,019**	61,086
Analysis by principal customer				
Customer 1	**533,302**	543,575		
Customer 2	**380,290**	361,723		
Customer 3	**111,245**	69,743		
Other	**6,167**	6,304		
	1,031,004	981,345		

4 Finance income and costs

Group	2012 £'000	2011 £'000
Finance income		
Interest income on short-term bank deposits	**198**	257
Interest on income taxes	**1**	1
Finance income	**199**	258
Finance costs		
Bank borrowings	**(1,035)**	(1,206)
Finance leases	**(207)**	(229)
Exchange losses on foreign currency borrowings	**(97)**	(38)
Other interest expense	**(115)**	(154)
Finance costs	**(1,454)**	(1,627)
Finance costs – net	**(1,255)**	(1,369)

5 Income tax expense

Group	2012 £'000	2011 £'000
Current income tax		
Current tax on profits for the year	**5,068**	6,437
Adjustments to tax in respect of previous years	**(79)**	(47)
Total current tax	**4,989**	6,390
Deferred income tax		
Origination and reversal of temporary differences	**862**	(427)
Adjustments to tax in respect of previous years	**(44)**	(48)
Total deferred tax	**818**	(475)
Income tax expense	**5,807**	5,915

Deferred tax debited directly to equity during the year in respect of employee share schemes amounted to £152,000 (2011: credit of £79,000).

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 24.5% (2011: 26.5%) applied to profits of the consolidated entities as follows:

	2012 £'000	2011 £'000
Profit before income tax	**24,712**	24,513
Tax calculated at the standard rate of UK Corporation Tax 24.5% (2011: 26.5%)	**6,054**	6,496
Expenses not deductible for tax purposes	**87**	67
Adjustments to tax in respect of previous years	**(123)**	(95)
Profits taxed at rates other than 24.5% (2011: 26.5%)	**(286)**	(706)
Other	**75**	153
Income tax expense	**5,807**	5,915

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

6 Earnings per share

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

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

			2012		2011
Group		**Basic**	**Diluted**	Basic	Diluted
Profit attributable to owners of the parent	(£'000)	**17,584**	**17,584**	17,199	17,199
Weighted average number of ordinary shares in issue	(thousands)	**70,538**	**70,538**	69,747	69,747
Adjustment for share options	(thousands)	**-**	**738**	-	1,082
Adjusted weighted average number of ordinary shares	(thousands)	**70,538**	**71,276**	69,747	70,829
Basic and diluted earnings per share	(pence)	**24.9**	**24.7**	24.7	24.3

7 Dividends

	2012	2011
Group	**£'000**	£'000
Final dividend in respect of 2011 paid 8.0p per ordinary share (2011: 7.4p)	**5,635**	5,160
Interim dividend in respect of 2012 paid 3.4p per ordinary share (2011: 3.1p)	**2,409**	2,165
Total dividends paid	**8,044**	7,325

The Directors propose a final dividend of 8.6 per share payable on 28 June 2013 to shareholders who are on the register at 31 May 2013. This dividend totalling £6.1m has not been recognised as a liability in these consolidated financial statements.

8 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 3 January 2011	24,737	116,170	10,213	379	151,499
Exchange adjustments	(330)	(3,089)	(299)	(7)	(3,725)
Additions	342	16,969	1,754	14	19,079
Disposals	(12)	(1,739)	(605)	(35)	(2,391)
At 1 January 2012	24,737	128,311	11,063	351	164,462
Accumulated depreciation					
At 3 January 2011	10,480	74,536	8,517	130	93,663
Exchange adjustments	44	(1,816)	(283)	(5)	(2,060)
Charge for the year	2,126	12,642	1,074	81	15,923
Disposals	-	(1,624)	(591)	(28)	(2,243)
At 1 January 2012	12,650	83,738	8,717	178	105,283
Net book amount					
At 3 January 2011	14,257	41,634	1,696	249	57,836
At 1 January 2012	12,087	44,573	2,346	173	59,179
Cost					
At 2 January 2012	**24,737**	**128,311**	**11,063**	**351**	**164,462**
Exchange adjustments	**(281)**	**(940)**	**81**	**3**	**(1,137)**
Additions	**449**	**10,887**	**679**	**116**	**12,131**
Disposals	**-**	**(451)**	**(1,164)**	**(192)**	**(1,807)**
At 30 December 2012	**24,905**	**137,807**	**10,659**	**278**	**173,649**
Accumulated depreciation					
At 2 January 2012	**12,650**	**83,738**	**8,717**	**178**	**105,283**
Exchange adjustments	**(290)**	**(256)**	**145**	**2**	**(399)**
Charge for the year	**1,905**	**11,355**	**712**	**69**	**14,041**
Disposals	**-**	**(155)**	**(1,164)**	**(119)**	**(1,438)**
At 30 December 2012	**14,265**	**94,682**	**8,410**	**130**	**117,487**
Net book amount					
At 30 December 2012	**10,640**	**43,125**	**2,249**	**148**	**56,162**

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

The cost and net book amount of property plant and equipment in the course of its construction included above comprise plant and machinery £668,000 (2011: £3,668,000).

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

	2012 £'000	2011 £'000
Cost – capitalised finance leases	**3,357**	3,517
Accumulated depreciation	**(1,492)**	(1,395)
Net book amount	**1,865**	2,122

Included in assets held under finance leases are land and buildings with a net book amount of £1,858,000 (2011: £2,078,000) and plant and machinery with a net book amount of £7,000 (2011: £44,000).

9 Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost				
At 3 January 2011	7,866	3,353	836	12,055
Exchange adjustments	(163)	(237)	-	(400)
Additions	-	873	-	873
At 1 January 2012	7,703	3,989	836	12,528
Accumulated amortisation				
At 3 January 2011	7,445	2,547	-	9,992
Exchange adjustments	(166)	(185)	-	(351)
Charge for the year	386	594	-	980
At 1 January 2012	7,665	2,956	-	10,621
Net book amount				
At 3 January 2011	421	806	836	2,063
At 1 January 2012	38	1,033	836	1,907
Cost				
At 2 January 2012	**7,703**	**3,989**	**836**	**12,528**
Exchange adjustments	**(189)**	**78**	**-**	**(111)**
Additions	**35**	**260**	**-**	**295**
At 30 December 2012	**7,549**	**4,327**	**836**	**12,712**
Accumulated amortisation				
At 2 January 2012	**7,665**	**2,956**	**-**	**10,621**
Exchange adjustments	**(189)**	**87**	**-**	**(102)**
Charge for the year	**12**	**324**	**-**	**336**
At 30 December 2012	**7,488**	**3,367**	**-**	**10,855**
Net book amount				
At 30 December 2012	**61**	**960**	**836**	**1,857**

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

10 Borrowings

Group	2012 £'000	2011 £'000
Current		
Bank borrowings	**11,369**	10,318
Finance lease liabilities	**128**	122
	11,497	10,440
Non-current		
Bank borrowings	**22,456**	32,740
Finance lease liabilities	**2,677**	2,875
	25,133	35,615
Total borrowings	**36,630**	46,055

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

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

Currency	2012 £'000	2011 £'000
UK Pound	**18,711**	24,720
Euro	**17,919**	21,335
	36,630	46,055

The Group reorganisation loan of £18,710,000 (2011: £24,711,000) is repayable in quarterly instalments by 28 February 2017. 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 2017 with interest charged at EURIBOR plus 1.75%.

Bank borrowings totalling £33,825,000 (2011: £43,058,000) are secured by fixed and floating charges over the assets of the individual Group borrowers and through joint and several guarantees from each active Group undertaking.

The Group has undrawn overdraft borrowing facilities of £18.2m (2011: £19.8m) which expire after one year.

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

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

	Minimum lease payments		Present value	
Group	2012 £'000	2011 £'000	2012 £'000	2011 £'000
No later than one year	**328**	336	**128**	122
Later than one year and no later than five years	**1,393**	1,394	**2,677**	2,875
Later than five years	**2,562**	2,997	**-**	-
	4,283	4,727	**2,805**	2,997
Future finance charges on finance leases	**(1,478)**	(1,730)	**-**	-
Present value of finance lease liabilities	**2,805**	2,997	**2,805**	2,997

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 £4,028,000 (2011: £4,406,000). The fair values are based on cash flows discounted using the European Central Bank benchmark main refinancing operations fixed interest rate of 0.75% (2011: 1.0%).

11 Cash generated from operations

Group	**2012 £'000**	2011 £'000
Profit before income tax	**24,712**	24,513
Finance costs – net	**1,255**	1,369
Operating profit	**25,967**	25,882
Adjustments for non-cash items:		
Depreciation	**14,041**	15,923
Amortisation of intangible assets	**336**	980
Loss on disposal of property, plant and equipment	**39**	128
Adjustment in respect of employee share schemes	**285**	408
Changes in working capital:		
Inventories	**549**	(2,670)
Trade and other receivables	**(3,653)**	(19,762)
Prepaid expenses	**(718)**	(1,339)
Trade and other payables	**2,650**	22,734
Accrued expenses	**1,186**	(596)
Cash generated from operations	**40,682**	41,688

The parent company has no operating cash flows.

12 Related party transactions and ultimate controlling party

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

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

	Sales		Purchases	
	2012	2011	**2012**	2011
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**1,673**	2,435	**61,724**	55,500
Romford Wholesale Meats Limited	**-**	-	**-**	47,104
RWM Dorset Limited	**-**	-	**-**	15,795

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

	Owed from related parties		Owed to related parties	
	2012	2011	**2012**	2011
Group	**£'000**	£'000	**£'000**	£'000
Hilton Meats (International) Limited	**326**	133	**6**	2,911
Romford Wholesale Meats Limited	**-**	-	**-**	1,930
RWM Dorset Limited	**-**	-	**-**	821
	326	133	**6**	5,662

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

Hilton Meats (International) Limited ceased to be a related party during the year. Romford Wholesale Meats Limited and RWM Dorset Limited ceased to be related parties during 2011.

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

	2012	2011
Company	**£'000**	£'000
Hilton Foods Limited – dividend received	**9,500**	9,500
Hilton Foods Limited – interest expense	**356**	432
Hilton Meats (Retail) Limited – payment for group relief	**115**	156

At the year-end £11,399,000 (2011: £14,940,000) was owed to Hilton Foods Limited and £115,000 (2011: £156,000) was owed by Hilton Meats (Retail) Limited.

Details of key management compensation are given in a note.

13 Events after the reporting period

In January 2013 the Group entered into a joint venture agreement with Woolworths Limited the largest supermarket retailer in Australia. Hilton and Woolworths each own 50% in a new joint venture company which will operate a meat processing plant supplying beef, lamb and pork products in Western Australia. An estimate of the financial effect of this collaboration cannot yet be made.