27 March 2014

Hilton Food Group plc

A year of strategic delivery

2013 Highlights

Hilton Food Group plc, the specialist retail meat packing business supplying major international food retailers in thirteen European countries and Australia, today announces its preliminary results for the 52 weeks ended 29 December 2013.

Financial highlights

	2013 52 weeks to 29 December 2013	**2012** 52 weeks to 30 December 2012	**Change**
Revenue	**£1,124.8m**	**£1,031.0m**	**+9.1%**
Operating profit	**£25.8m**	**£26.0m**	**-0.7%**
Profit for the year	**£19.4m**	**£18.9m**	**+2.4%**
Basic earnings per share	**25.0p**	**24.9p**	**+0.4%**
Closing net cash/(debt)	**£4.9m**	**£(5.2)m**	
Dividends paid and proposed in respect of 2013	**12.75p**	**12.0p**	**+6.3%**

Strategic highlights

- The joint venture with Woolworths Limited in Australia announced in January 2013 is performing well and in line with expectations.
- The conversion of the Bunbury site in Western Australia, to increase retail packed meat production, is substantially complete.
- In August 2013 Woolworths announced the construction of a new dedicated retail packed meat facility, near Melbourne in Victoria, due to commence production in 2015, which will be operated by our joint venture company.

- In early December 2013 we announced a five year long term supply agreement with Tesco which is expected, on a progressive basis, to substantially increase Hilton's UK volumes.

Operational and financial highlights

- Revenue growth of 9.1%, with increases in the UK, Denmark and Holland (the latter accelerated by new product launches). Revenue benefited in 2013 from the recovery of higher meat prices and favourable movements in exchange translation.

- Volume growth of 2.0%, with new product lines introduced in Holland and continued growth in Denmark offset by continuing pressures on consumer spending, particularly in Ireland and Central Europe.

- Operating profit of £25.8m only marginally below the previous year's level (2012: £26.0m) after bearing start-up costs of £1.4m in Australia.

- Free cash flow of £17.0m, despite a higher level of investment in equipment and facilities, moving the Group into a net cash position at the year end.

- A strong balance sheet with no gearing and interest cover at 29 times underpinning both future expansion and a progressive dividend policy.

Commenting, Robert Watson OBE, Chief Executive said:

"I am pleased to report that in 2013 Hilton made excellent progress in terms of implementing its future growth strategy, including the further development of our Australian joint venture and the new UK contract with Tesco. The Group has maintained a high level of investment in its meat packing facilities across Europe whilst realising the available opportunities to progressively and profitably expand its business. The strategic progress made during 2013 illustrates well the continued relevance and international transferability of Hilton's business model."

Enquiries

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Chairman's introduction

Strategic progress achieved in 2013

The Group made excellent strategic progress during the year. In January 2013 we announced a joint venture with Woolworth's in Australia. The joint venture's initial task was the conversion of Woolworth's meat processing facility at Bunbury, in order to substantially increase production of retail packed product lines. This has been executed to plan, with the new product lines being well received by the local market.

In August 2013 Woolworths announced that it would proceed with plans to construct a new meat processing facility near Melbourne in Victoria which would be operated by our joint venture company, with production currently targeted to commence in 2015. This marks a significant milestone in the further development of our joint venture.

In early December 2013 we announced a five year long term supply agreement with Tesco for the UK, under which the volumes supplied by Hilton are planned to increase substantially over the course of 2014.

Board composition

The Board is responsible for the longer term success of the Group and to achieve this it contains an appropriate mix of skills and depth of practical business experience, which is available to support and guide our management teams across a progressively widening range of countries. There have been no changes in Board membership during 2013 and I would like to take this opportunity to thank my colleagues on the Board for their continued sound counsel, expertise and support.

Group performance and dividend policy

Volume growth was achieved during 2013, in the face of continued pressure on consumer spending across Europe, which was particularly marked in Ireland and Central Europe. Despite the start-up costs incurred in connection with the new Australian joint venture, profit progress was achieved in 2013 at the post tax level.

The Group's net income in 2013 at £17.8m was 1.4% higher than in 2012 (£17.6m) with earnings per share at 25.0p slightly ahead (2012: 24.9p). Hilton has continued to generate significant free cash flow having reduced its net debt level in every year since its flotation in 2007. In 2013 the Group moved into a net cash position by the end of the financial year.

During 2014 material capital expenditure will be incurred at the Group's United Kingdom facilities in Huntingdon which will enable the planned UK volume increases for Tesco. This will include investment in a further production unit. Substantial capital expenditure will also be incurred during 2014 at Vasteras in Sweden to replace production lines at the end of their economic life with state of the art equipment; this will achieve higher line speeds and reduced manning requirements, designed to achieve reduced unit packing costs.

The Group has maintained a progressive dividend policy since flotation, which remains appropriate given both the strategic progress achieved in 2013 and Hilton's continuing level of cash generation. The 5.8% increase proposed in the final dividend for 2013 will increase the total dividends paid in respect of 2013 by 6.3%, as compared to last year.

Annual General Meeting

This year's AGM will be held at the Old Bridge Hotel, 1 High Street, Huntingdon, Cambridgeshire PE29 3TQ on 14 May 2014 at noon and I look forward to seeing you there.

Sir David Naish DL
Non-Executive Chairman
26 March 2014

Chief Executive's summary

Our business model

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

Raw material meat is sourced, in conjunction with our retail partners, from a wide and growing international base of proven suppliers paying due regard to our partners preferences. It is then processed, packed and delivered to the retailer's distribution centres. Our plants are highly automated and use advanced robotics for the storage of raw materials and finished products. This developing technology has been extended both in the production environment and to the sorting of finished products by retailer store order, achieving material supply chain efficiencies for our customers.

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

We are a very committed and loyal partner with a continuing record of delivering value through quality products with the highest levels of food safety, traceability and integrity, whilst providing a range of services which enable our customers to evolve and improve their meat supply chain management. Our customer base comprises high quality multiple retailers and our in depth understanding of our customers' needs, together with those of their consumers, enables us to play an active role in managing their meat supply chains providing agile responses to supply chain challenges as they arise from time to time. 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.

To ensure our continued competitiveness, we seek to keep ourselves at the forefront of the meat packing industry. We constantly seek to drive further efficiencies and our modern, very well invested facilities are considered a key factor in keeping unit packing costs as low as possible. Over the decade to December 2013, 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. Capital expenditure over this period has totalled over £165m. 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.

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

Our strategy and objectives

Our strategy is to support 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 straightforward approach has generated continuous growth over an extended period and, with a growing reputation, well invested facilities and a strong balance sheet, the Group remains well placed to achieve further progress.

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

- Growing volumes and extending product ranges supplied and services provided to existing customers;

- Maintaining an uncompromising focus on food safety and integrity and reducing unit costs while improving product quality and service provision; and

- Entering new territories either with new customers or in partnership with our existing customers.

We will continue to pursue measured and well 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 businesses.

Our widening geographical coverage

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

Year	1994	2000	2004	2004	2006	2011
Country	UK	Holland	Ireland	Sweden	Central Europe	Denmark
Location	Huntingdon	Zaandam	Drogheda	Vasteras	Tychy, Poland	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, involves the joint venture company managing Woolworth's meat processing and packing facilities at Bunbury in Western Australia and Brismeats in Eastern Australia and from 2015 a green field state of the art meat packing facility near Melbourne, in Victoria.

In 2013 72% of the Group's turnover was earned in countries outside the United Kingdom, together with 78% of the volumes of meat delivered. This widening geographical spread makes the Group increasingly resilient and minimises its dependence on the fortunes of any one individual economy.

Our people

The Group currently employs over 2,300 employees, in six European countries. Our business model is decentralised, with capable, largely self-sufficient management teams running our businesses in each country. We consider this structure to be essential, as it achieves very close working relationships with our customers, who benefit from dedicated, flexible and rapid local support.

We believe that successful businesses are about having the right people in the right positions working together as "one team", with local management teams empowered, encouraged and advised in specialist areas to enable them to support their local customers. 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.

We fully recognise the benefits of gender diversity. Our workforces are in many cases ethnically diverse. Rates of pay are set to recruit and maintain high quality workforces at each location.

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 2013 and continuing commitment to the Group's on-going growth and development.

Business development in 2013

Our business comprises three distinct operating segments:

Western Europe

Operating profit of £27.9m (2012: £27.7m) on turnover of £1,028.7m (2012: £935.4m)

This operating segment covers the Group's businesses in the UK, Ireland, Holland, Sweden and Denmark. Volume growth of 2.9% was achieved, with turnover growth of 10.0%. This reflected volume growth in Holland and Denmark, driven by new product lines and expanded meat packing capacity respectively. Volumes in Ireland were reduced with consumer spending remaining under continuing pressure. Turnover growth benefitted from the recovery of higher raw material meat prices and favourable movements in exchange translation.

The robotic store order picking facility for Coop Danmark which handles, in addition to our own production, a range of third party Coop products such as poultry, has built volumes 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 offering. A facility of this type will be incorporated in the new Melbourne meat packing facility for Woolworths due to commence production in 2015.

Central Europe

Operating profit of £2.5m (2012: £2.3m) on turnover of £96.1m (2012: £95.6m)

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. In 2013 this multi-customer business supplied Ahold stores in Czech Republic and Slovakia, Tesco stores in Hungary, Czech Republic, Poland and Slovakia and Rimi stores in Latvia, Lithuania and Estonia. In very competitive market conditions volumes declined by 2.5% in 2013, but reflecting the recovery of higher raw material meat prices and favourable exchange rate movements, turnover increased marginally, by 0.5%.

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

Central costs and other

Net operating cost £4.6m (2012 £4.0m)

This segment includes the income from our joint venture with Woolworths of £0.5m (2012: £nil), the start-up costs in connection with that joint venture of £1.4m (2012: £nil) and central costs of £3.7m (2012: £4.0m).

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

In May 2013 the joint venture company took over responsibility for the operation of Woolworth's Western Australian meat processing centre in Bunbury, near Perth. The conversion of this facility to enable a substantial increase in retail packed meat production has been largely completed. Approximately £0.5m of the start-up costs related to the Bunbury redevelopment.

In August 2013 the building of a purpose built retail packing facility near Melbourne in Victoria was announced which will be operated by the joint venture company and is expected to commence production in 2015.

Past and anticipated future trends

Hilton's growth has been aided by the consumer trend in most countries towards convenience and one stop shopping.

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

Whilst grocery retail markets are expected to remain extremely competitive, with pressure on consumer expenditure and smaller format outlets gaining share, the trend towards increased use of centralised meat packing solutions is continuing at different speeds across the world. This gives rise to a wide range of potential future geographical expansion opportunities for Hilton, albeit in a range of different timescales.

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

Current trading and outlook

Benefitting from the new contract with Tesco in the UK and the expansion of the activities of Hilton's joint venture in Australia, Hilton's medium term growth prospects are encouraging. The shorter term economic outlook in our European markets, however, remains relatively challenging, and 2014 is likely to feature both comparatively high prices for meat and muted consumer spending, despite an improving overall economic outlook in some countries.

Turning to currency, over recent months sterling has appreciated against a number of currencies in which the Group trades. If the relevant currency parities remain at similar levels this will serve to slightly lower the Group's results reported in sterling for 2014, as compared to the previous year.

In the early months of 2014 Hilton's operating performance has been in line with the Board's expectations. The Group's business model has proved resilient over past difficult trading conditions and, although a high level of start-up costs will be incurred in 2014 both in relation to the expansion of the Huntingdon site and the new facility being constructed near Melbourne, the Board expects to make further overall progress.

Robert Watson OBE
Chief Executive Officer
26 March 2014

Performance and Financial review

2013 Financial review

Hilton's financial performance was sound in 2013, in what continued to be a relatively challenging economic environment across Europe. We increased our level of investment to support our customers, whilst strengthening our balance sheet and achieving a net cash position by the end of the year. This leaves the Group well placed to deliver future growth. This Performance and Financial review covers the main highlights of the Group's financial performance and position in 2013.

Basis of preparation

The Group is presenting its results for the 52 week period ended 29 December 2013, with comparative information for the 52 week period ended 30 December 2012. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2013 Financial performance

Revenue

Volumes grew overall by 2.0% with strong volume increases in Holland and Denmark offset by volume reductions in Ireland and Central Europe in difficult trading conditions. Further details of volume growth by business segment are set out in the Chief executive's summary above. Revenue rose by 9.1% to £1,124.8m, as compared to £1,031.0m in 2012, reflecting both the recovery of higher raw material meat prices and favourable exchange rate movements.

Operating profit and margin

Operating profit at £25.8m, which includes Australian start-up costs of £1.4m, was marginally below the previous year's level (2012: £26.0m). The operating profit margin in 2013 was 2.3%, as compared with 2.5% in 2012, reflecting both the Australian start-up costs and the impact of higher raw material meat prices, which were recovered in higher 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 11.5p (2012: 11.8p).

Net finance costs

Net finance costs, at £0.9m were 28% below the previous year's level (2012: £1.3m). Interest rates paid have remained at historically low levels, reflecting continuing low LIBOR and EURIBOR rates, which determine the interest rates on the Group's principal borrowings. Interest costs have reduced with the shrinking net debt levels. Interest cover in 2013 increased to 29 times, as compared with 21 times in 2012.

Taxation

The taxation charge for the period was £5.5m (2012: £5.8m). This represented an effective taxation rate of 22.2% (2012: 23.5%) reflecting lower corporate tax rates.

Profit for the year

Profit for the year, at £19.4m, (2012: £18.9m) was higher than last year reflecting the reduced finance and taxation costs, which more than offset the slight reduction in operating profit.

Earnings per share

Basic earnings per share at 25.0p (2012: 24.9p) were slightly ahead of last year, with a 1.4% increase in the level of net income being offset by the dilutive effect of an increased number of shares in issue, following the exercise of executive and all employee share options. Diluted earnings per share were 24.8p (2012: 24.7p).

Free cash flow and net borrowing levels

Cash flow remained strong in 2013, with the Group generating £17.0m of free cash flow before dividends and financing, after net capital expenditure of £18.4m. Group borrowings were £29.7m at the end of 2013 and, with net cash balances of £34.6m, this resulted in a closing net cash position of £4.9m, as compared with the net debt level of £5.2m at the end of 2012. At the end of 2013 the Group had undrawn overdraft facilities of £18.3m (2012: £18.2m).

With a net cash position, the Group had no gearing at the end of 2013 and this strong financial position gives the Group considerable flexibility viewed in terms of both potential future expansion and required reinvestments such as those in the UK and Sweden in 2014.

In February 2014 the Group negotiated new and increased five year borrowing facilities with its principal bankers.

Dividends

The Board aims to maintain a dividend policy that provides a dividend level that grows broadly in line with the underlying earnings of the Group and has recommended a final dividend of 9.1p per ordinary share in respect of 2013. This, together with the interim dividend of 3.65p per ordinary share paid in December 2013, represents a 6.3% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 27 June 2014 to shareholders on the register on 30 May 2014 and the shares will be ex dividend on 28 May 2014.

KPI's

How we measure our performance against our strategic objectives

The Board monitors a range of financial and non-financial key performance indicators "KPI's" to measure the Group's performance over time in building shareholder value and achieving the Group's strategic objectives. The nine principal "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	**2013**	**2012**	Definition, method of calculation and analysis
Revenue growth (%)	9.1%	5.1%	Year on year revenue growth expressed as a percentage. The 2013 increase reflected principally the impact of favourable exchange translation rates and the recovery of higher raw material prices, with overall volumes 2.0% higher.
Operating profit margin (% turnover)	2.3%	2.5%	Operating profit expressed as a percentage of turnover. The reduction in 2013 reflected the start-up costs incurred in connection with the new Australian joint venture and the higher level of raw material meat prices which, whilst recovered in higher selling prices, do not in all Hilton's contractual arrangements feed directly through to correspondingly increased margins.
Operating profit margin (pence per kilogram)	11.5	11.8	Operating profit per kilogram sold. The reduction reflects the reduced operating profit margin.
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£'m)	41.3	40.4	Operating profit before depreciation, amortisation and government capital grants. The increase reflects higher depreciation and amortisation resulting from higher capital expenditure.
Free cash flow before minorities (£'m)	17.0	20.5	Cash flow before dividends and financing after £18.4m of net capital expenditure in 2013, compared with £12.1m in 2012.
Gearing ratio	N/A	0.1	Year-end net debt divided by EBITDA. The Group was ungeared at the end of 2013, with a net cash position.
Non-financial KPI's	**2013**	**2012**	Definition, method of calculation and analysis
Growth in volume of packed meat sales (%)	2.0%	4.8%	Year on year volume growth, expressed as a percentage. During 2013 volumes grew in Holland and Denmark.
Employee and labour agency costs (pence per kilogram)	40.1	36.5	The increase reflects the impact of adverse movements in exchange translation rates with the balance coming both from an increased level of complex products in the range.

Customer service level (%)	98.3%	98.8%	Packs of meat delivered as a % of the orders placed. Little year on year change, with high service levels being maintained.

Treasury management

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 being made with 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, but this policy is kept under continuing review and will be reappraised as the Group's geographic spread continues to widen. The Group's overseas subsidiaries all have natural hedges in place as they, for the most part, buy raw materials, employ people, source services, sell products and arrange funding in their local currencies. As a result the Group's exposure is in the main limited to its equity investment in each overseas subsidiary.

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

Interest rate fluctuation risk

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

Customer credit and pricing risks

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

Liquidity risk

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 Group remains strongly cash generative, has a robust balance sheet and has committed banking facilities for the medium term, sufficient to support its existing business. All bank positions are monitored on a daily basis and capital expenditure above set levels, together with decisions on intra group dividends, are all approved at Board meetings. All long term debt is arranged centrally and is subject to Board approval.

Going concern and cautionary statements

Going concern basis

The Group's bank borrowings are detailed in the financial statements and its new banking facilities, which support the Group's existing and contracted new business, are committed, with no renewal required for five 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 Group also considered the effects of the principal risks and the impact of these on the going concern assessment. The going concern basis is, accordingly, adopted by the Board in preparing the financial statements.

Forward looking statements

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

Nigel Majewski
Financial Director
26 March 2014

Risk management and principal risks

How we manage risk

As with all businesses, the Group is exposed to a range of risks and uncertainties which could have a significant impact on its business, reputation, operating results and financial position. The Board believes a successful risk management framework carefully balances risk and reward, and applies reasoned judgement and consideration of potential likelihood and impact in determining its principal risks. The Group has a well-developed structure and range of processes for identifying, assessing, prioritising and mitigating these key risks.

Significant risks facing the Group

The six most significant identified business risks the Group faces, which, as might be expected with a straightforward business model, 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 relatively narrow, but expanding, customer base, with sales to subsidiary or associated companies of the Tesco and Ahold groups still comprising the larger part of Hilton's revenue in 2013. The large retail chains are continuing to increase their market share of meat products in many countries, as retail customers continue to move away from high street butchers towards one stop convenience shopping in supermarkets. This 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 high level of investment in state of the art facilities, which together with management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively. Hilton operates a decentralised, entrepreneurial business structure, which enables it to work very closely, nimbly and flexibly with its retail 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. Hilton has long term supply agreements in place with its major customers, with pricing either on a cost plus or agreed packing rate basis.

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 and traceability 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 over recent years 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 pressures on consumer spending, as expected, persist in some developed countries.

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

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 designed to mitigate those risks.

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

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

Note: References in this preliminary announcement to the Strategic report, the Directors' report and the Corporate Governance statement 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 financial statements

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

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

This responsibility statement was approved by the Board of Directors on 26 March 2014 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	**2013 52 weeks £'000**	2012 52 weeks £'000
Continuing operations			
Revenue	3	**1,124,780**	1,031,004
Cost of sales		**(993,257)**	(904,755)
Gross profit		**131,523**	126,249
Distribution costs		**(10,498)**	(9,149)
Administrative expenses		**(95,715)**	(91,133)
Share of profit in joint venture		**464**	-
Operating profit		**25,774**	25,967
Finance income	4	**118**	199
Finance costs	4	**(1,020)**	(1,454)
Finance costs – net	4	**(902)**	(1,255)
Profit before income tax		**24,872**	24,712
Income tax expense	5	**(5,512)**	(5,807)
Profit for the year		**19,360**	18,905
Attributable to:			
Owners of the parent		**17,828**	17,584
Non-controlling interests		**1,532**	1,321
		19,360	18,905
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	6	**25.0**	24.9
Diluted (pence)	6	**24.8**	24.7

Consolidated statement of comprehensive income

	2013 52 weeks £'000	2012 52 weeks £'000
Profit for the year	**19,360**	18,905
Other comprehensive income		
Currency translation differences	**390**	(275)
Other comprehensive income for the year net of tax	**390**	(275)
Total comprehensive income for the year	**19,750**	18,630
Total comprehensive income attributable to:		
Owners of the parent	**18,151**	17,392
Non-controlling interests	**1,599**	1,238
	19,750	18,630

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

Consolidated balance sheet

	Notes	Group 2013 £'000	2012 £'000	Company 2013 £'000	2012 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**58,876**	56,162	**-**	-
Intangible assets	9	**2,660**	1,857	**-**	-
Investments		**405**	-	**102,985**	102,985
Deferred income tax assets		**1,313**	1,111	**-**	-
		63,254	59,130	**102,985**	102,985
Current assets					
Inventories		**23,837**	21,885	**-**	-
Trade and other receivables		**124,356**	107,811	**88**	115
Current income tax assets		**745**	699	**53**	87
Cash and cash equivalents		**34,642**	31,428	**189**	30
		183,580	161,823	**330**	232
Total assets		**246,834**	220,953	**103,315**	103,217
Equity					
Equity attributable to owners of the parent					
Ordinary shares		**7,216**	7,087	**7,216**	7,087
Share premium		**5,885**	2,562	**5,885**	2,562
Employee share schemes reserve		**857**	1,238	**-**	-
Foreign currency translation reserve		**2,422**	2,099	**-**	-
Retained earnings		**63,989**	54,932	**11,922**	11,148
		80,369	67,918	**25,023**	20,797
Reverse acquisition reserve		**(31,700)**	(31,700)	**-**	-
Merger reserve		**919**	919	**71,019**	71,019
		49,588	37,137	**96,042**	91,816
Non-controlling interests		**4,670**	3,835	**-**	-
Total equity		**54,258**	40,972	**96,042**	91,816
Liabilities					
Non-current liabilities					
Borrowings	10	**18,616**	25,133	**-**	-
Deferred income tax liabilities		**1,459**	1,579	**-**	-
		20,075	26,712	**-**	-
Current liabilities					
Borrowings	10	**11,104**	11,497	**-**	-
Trade and other payables		**161,397**	141,772	**7,273**	11,401
		172,501	153,269	**7,273**	11,401
Total liabilities		**192,576**	179,981	**7,273**	11,401
Total equity and liabilities		**246,834**	220,953	**103,315**	103,217

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

The financial statements were approved by the Board on 26 March 2014 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

		Attributable to owners of the parent									
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
Balance at 2 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
Profit for the year		**-**	**-**	**-**	**-**	**17,828**	**-**	**-**	**17,828**	**1,532**	**19,360**
Other comprehensive income											
Currency translation differences		**-**	**-**	**-**	**323**	**-**	**-**	**-**	**323**	**67**	**390**
Total comprehensive income for the year		**-**	**-**	**-**	**323**	**17,828**	**-**	**-**	**18,151**	**1,599**	**19,750**
Issue of new shares		**129**	**2,498**	**-**	**-**	**-**	**-**	**-**	**2,627**	**-**	**2,627**
Adjustment in respect of employee share schemes		**-**	**682**	**(599)**	**-**	**-**	**-**	**-**	**83**	**-**	**83**
Tax on employee share schemes		**-**	**143**	**218**	**-**	**-**	**-**	**-**	**361**	**-**	**361**
Dividends paid	7	**-**	**-**	**-**	**-**	**(8,771)**	**-**	**-**	**(8,771)**	**(764)**	**(9,535)**
Total transactions with owners		**129**	**3,323**	**(381)**	**-**	**(8,771)**	**-**	**-**	**(5,700)**	**(764)**	**(6,464)**
Balance at 29 December 2013		**7,216**	**5,885**	**857**	**2,422**	**63,989**	**(31,700)**	**919**	**49,588**	**4,670**	**54,258**
Company											
Balance at 2 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		
Profit for the year		**-**	**-**	**-**	**-**	**9,545**	**-**	**-**	**9,545**		
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**9,545**	**-**	**-**	**9,545**		
Issue of new shares		**129**	**2,498**	**-**	**-**	**-**	**-**	**-**	**2,627**		
Adjustment in respect of employee share schemes		**-**	**682**	**-**	**-**	**-**	**-**	**-**	**682**		
Tax on employee share schemes		**-**	**143**	**-**	**-**	**-**	**-**	**-**	**143**		
Dividends paid	7	**-**	**-**	**-**	**-**	**(8,771)**	**-**	**-**	**(8,771)**		
Total transactions with owners		**129**	**3,323**	**-**	**-**	**(8,771)**	**-**	**-**	**(5,319)**		
Balance at 29 December 2013		**7,216**	**5,885**	**-**	**-**	**11,922**	**-**	**71,019**	**96,042**		

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

Consolidated cash flow statement

	Notes	Group 2013 52 weeks £'000	Group 2012 52 weeks £'000	Company 2013 52 weeks £'000	Company 2012 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	11	**41,788**	40,682	**-**	-
Interest paid		**(1,020)**	(1,454)	**(213)**	(366)
Income tax (paid)/received		**(5,515)**	(6,804)	**115**	156
Net cash generated from/(used in) operating activities		**35,253**	32,424	**(98)**	(210)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(17,228)**	(12,131)	**-**	-
Proceeds from sale of property, plant and equipment		**147**	329	**-**	-
Purchases of intangible assets		**(1,272)**	(295)	**-**	-
Interest received		**118**	199	**-**	-
Dividends received		**-**	-	**9,750**	9,500
Net cash (used in)/generated from investing activities		**(18,235)**	(11,898)	**9,750**	9,500
Cash flows from financing activities					
Proceeds from borrowings		**3,845**	1,230	**-**	-
Repayments of borrowings		**(11,114)**	(10,224)	**-**	-
Repayment of inter-company loan		**-**	-	**(3,349)**	(3,010)
Issue of ordinary shares		**2,627**	1,780	**2,627**	1,780
Dividends paid to owners of the parent		**(8,771)**	(8,044)	**(8,771)**	(8,044)
Dividends paid to non-controlling interests		**(764)**	(855)	**-**	-
Net cash used in financing activities		**(14,177)**	(16,113)	**(9,493)**	(9,274)
Net increase in cash and cash equivalents		**2,841**	4,413	**159**	16
Cash and cash equivalents at beginning of the year		**31,428**	27,345	**30**	14
Exchange gains/(losses) on cash and cash equivalents		**373**	(330)	**-**	-
Cash and cash equivalents at end of the year		**34,642**	31,428	**189**	30

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 29 December 2013 (prior financial year 52 weeks to 30 December 2012).

This preliminary announcement was approved for issue on 26 March 2014.

2 Summary of significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 30 December 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 29 December 2013 and 30 December 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

3 Segment information

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

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

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

An additional reportable segment has been included for 2013 to reflect the change in the reports reviewed by the Executive Directors as a result of the joint venture entered into during the financial year. The 2012 comparatives have been restated accordingly.

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

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

	Western Europe £'000	**Central Europe £'000**	**Central costs and other £'000**	**2013 Total £'000**	Western Europe £'000	Central Europe £'000	Central costs and other £'000	2012 Total £'000
Total segment revenue	**1,029,131**	**96,265**	**-**	**1,125,396**	937,405	95,552	-	1,032,957
Inter–segment revenue	**(414)**	**(202)**	**-**	**(616)**	(1,953)	-	-	(1,953)
Revenue from external customers	**1,028,717**	**96,063**	**-**	**1,124,780**	935,452	95,552	-	1,031,004
Operating profit/segment result	**27,860**	**2,481**	**(4,567)**	**25,774**	27,712	2,318	(4,063)	25,967
Finance income	**56**	**57**	**5**	**118**	115	78	6	199
Finance costs	**(556)**	**(29)**	**(435)**	**(1,020)**	(771)	(20)	(663)	(1,454)
Income tax expense	**(6,133)**	**(497)**	**1,118**	**(5,512)**	(5,987)	(467)	647	(5,807)
Profit for the year	**21,227**	**2,012**	**(3,879)**	**19,360**	21,069	1,909	(4,073)	18,905
Depreciation and amortisation	**14,205**	**1,287**	**78**	**15,570**	13,160	1,135	82	14,377
Additions to non-current assets	**17,898**	**456**	**146**	**18,500**	11,445	854	127	12,426
Segment assets	**223,027**	**18,495**	**3,254**	**244,776**	197,275	21,023	845	219,143
Current income tax assets				**745**				699
Deferred income tax assets				**1,313**				1,111
Total assets				**246,834**				220,953
Segment liabilities	**166,394**	**9,556**	**1,114**	**177,064**	146,605	12,492	595	159,692
Borrowings				**14,053**				18,710
Deferred income tax liabilities				**1,459**				1,579
Total liabilities				**192,576**				179,981

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

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

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

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

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

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Analysis by geographical area				
United Kingdom – country of domicile	**314,465**	278,945	**15,802**	9,797
Netherlands	**294,596**	254,476	**12,532**	11,477
Sweden	**222,802**	211,109	**5,302**	4,374
Republic of Ireland	**76,010**	78,976	**5,299**	6,420
Denmark	**120,843**	111,946	**18,560**	20,681
Central Europe	**96,064**	95,552	**4,446**	5,270
	1,124,780	1,031,004	**61,941**	58,019
Analysis by principal customer				
Customer 1	**418,085**	380,290		
Customer 2	**338,522**	306,295		
Customer 3	**239,331**	227,007		
Customer 4	**120,748**	111,245		
Other	**8,094**	6,167		
	1,124,780	1,031,004		

4 Finance income and costs

Group	2013 £'000	2012 £'000
Finance income		
Interest income on short term bank deposits	**115**	198
Interest on income taxes	**3**	1
Finance income	**118**	199
Finance costs		
Bank borrowings	**(671)**	(1,035)
Finance leases	**(208)**	(207)
Exchange losses on foreign currency borrowings	**(63)**	(97)
Other interest expense	**(78)**	(115)
Finance costs	**(1,020)**	(1,454)
Finance costs – net	**(902)**	(1,255)

5 Income tax expense

Group	2013 £'000	2012 £'000
Current income tax		
Current tax on profits for the year	**5,764**	5,068
Adjustments to tax in respect of previous years	**(130)**	(79)
Total current tax	**5,634**	4,989
Deferred income tax		
Origination and reversal of temporary differences	**(198)**	862
Adjustments to tax in respect of previous years	**76**	(44)
Total deferred tax	**(122)**	818
Income tax expense	**5,512**	5,807

Deferred tax credited directly to equity during the year in respect of employee share schemes amounted to £218,000 (2012: £152,000 debit).

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 23.25% (2012: 24.5%) applied to profits of the consolidated entities as follows:

	2013 £'000	2012 £'000
Profit before income tax	**24,872**	24,712
Tax calculated at the standard rate of UK Corporation Tax 23.25% (2012: 24.5%)	**5,783**	6,054
Expenses not deductible for tax purposes	**88**	87
Adjustments to tax in respect of previous years	**(54)**	(123)
Profits taxed at rates other than 23.25% (2012: 24.5%)	**(207)**	(286)
Other	**(98)**	75
Income tax expense	**5,512**	5,807

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.

			2013		2012
Group		**Basic**	**Diluted**	Basic	Diluted
Profit attributable to owners of the parent	(£'000)	**17,828**	**17,828**	17,584	17,584
Weighted average number of ordinary shares in issue	(thousands)	**71,321**	**71,321**	70,538	70,538
Adjustment for share options	(thousands)	**-**	**654**	-	738
Adjusted weighted average number of ordinary shares	(thousands)	**71,321**	**71,975**	70,538	71,276
Basic and diluted earnings per share	(pence)	**25.0**	**24.8**	24.9	24.7

7 Dividends

Group	**2013 £'000**	2012 £'000
Final dividend in respect of 2012 paid 8.6p per ordinary share (2012: 8.0p)	**6,139**	5,635
Interim dividend in respect of 2013 paid 3.65p per ordinary share (2012: 3.4p)	**2,632**	2,409
Total dividends paid	**8,771**	8,044

The Directors propose a final dividend of 9.1p per share payable on 27 June 2014 to shareholders who are on the register at 30 May 2014. This dividend totalling £6.6m 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 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 2 January 2012	12,087	44,573	2,346	173	59,179
At 30 December 2012	10,640	43,125	2,249	148	56,162
Cost					
At 31 December 2012	**24,905**	**137,807**	**10,659**	**278**	**173,649**
Exchange adjustments	**256**	**979**	**24**	**-**	**1,259**
Additions	**1,003**	**15,017**	**1,066**	**142**	**17,228**
Disposals	**(2)**	**(718)**	**(598)**	**(109)**	**(1,427)**
At 29 December 2013	**26,162**	**153,085**	**11,151**	**311**	**190,709**
Accumulated depreciation					
At 31 December 2012	**14,265**	**94,682**	**8,410**	**130**	**117,487**
Exchange adjustments	**107**	**412**	**6**	**-**	**525**
Charge for the year	**1,957**	**12,093**	**986**	**65**	**15,101**
Disposals	**(1)**	**(620)**	**(597)**	**(62)**	**(1,280)**
At 29 December 2013	**16,328**	**106,567**	**8,805**	**133**	**131,833**
Net book amount					
At 29 December 2013	**9,834**	**46,518**	**2,346**	**178**	**58,876**

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 £5,027,000 (2012: £668,000).

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

	2013 £'000	2012 £'000
Cost – capitalised finance leases	**3,412**	3,357
Accumulated depreciation	**(1,688)**	(1,492)
Net book amount	**1,724**	1,865

Included in assets held under finance leases are land and buildings with a net book amount of £1,724,000 (2012: £1,858,000) and plant and machinery with a net book amount of £nil (2012: £7,000).

9 Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
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 2 January 2012	38	1,033	836	1,907
At 30 December 2012	61	960	836	1,857
Cost				
At 31 December 2012	**7,549**	**4,327**	**836**	**12,712**
Exchange adjustments	**138**	**(12)**	**-**	**126**
Additions	**1,146**	**126**	**-**	**1,272**
At 29 December 2013	**8,833**	**4,441**	**836**	**14,110**
Accumulated amortisation				
At 31 December 2012	**7,488**	**3,367**	**-**	**10,855**
Exchange adjustments	**156**	**(30)**	**-**	**126**
Charge for the year	**145**	**324**	**-**	**469**
At 29 December 2013	**7,789**	**3,661**	**-**	**11,450**
Net book amount				
At 29 December 2013	**1,044**	**780**	**836**	**2,660**

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

10 Borrowings

Group	2013 £'000	2012 £'000
Current		
Bank borrowings	**10,942**	11,369
Finance lease liabilities	**162**	128
	11,104	11,497
Non-current		
Bank borrowings	**16,031**	22,456
Finance lease liabilities	**2,585**	2,677
	18,616	25,133
Total borrowings	**29,720**	36,630

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	2013 £'000	2012 £'000
UK Pound	**17,375**	18,711
Euro	**12,345**	17,919
	29,720	36,630

Under the new facility signed after the year end borrowings are repayable in quarterly instalments by 2014 – 2018. Interest has reduced from LIBOR or EURIBOR plus 1.75% to 1.60% subject to interest rate caps over £17m of borrowings where LIBOR is capped at 4.5%.

Bank borrowings totalling £26,973,000 (2012: £33,825,000) 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 £18.3m (2012: £18.2m) 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	2013 £'000	2012 £'000	2013 £'000	2012 £'000
No later than one year	**358**	328	**162**	128
Later than one year and no later than five years	**1,457**	1,393	**2,585**	2,677
Later than five years	**2,237**	2,562	**-**	-
	4,052	4,283	**2,747**	2,805
Future finance charges on finance leases	**(1,305)**	(1,478)	**-**	-
Present value of finance lease liabilities	**2,747**	2,805	**2,747**	2,805

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The fair value of the Group's finance lease liabilities is £3,840,000 (2012: £4,028,000). The fair values are based on cash flows discounted using the European Central Bank benchmark main refinancing operations fixed interest rate of 0.25% (2012: 0.75%).

11 Cash generated from operations

Group	2013 £'000	2012 £'000
Profit before income tax	**24,872**	24,712
Finance costs – net	**902**	1,255
Operating profit	**25,774**	25,967
Adjustments for non-cash items:		
Share of post tax profits of joint venture	**(464)**	-
Depreciation	**15,101**	14,041
Amortisation of intangible assets	**469**	336
Loss on disposal of non current assets	**-**	39
Adjustment in respect of employee share schemes	**83**	285
Changes in working capital:		
Inventories	**(1,835)**	549
Trade and other receivables	**(15,983)**	(3,653)
Prepaid expenses	**191**	(718)
Trade and other payables	**17,025**	2,650
Accrued expenses	**1,427**	1,186
Cash generated from operations	**41,788**	40,682

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	
Group	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Hilton Meats (International) Limited	**-**	1,673	**-**	61,724

During the year joint venture project costs totalling £1,794,000 (2012: £nil) were recharged to Woolworths Meat Co. Pty Ltd.

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

	Owed from related parties		Owed to related parties	
Group	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Hilton Meats (International) Limited	**-**	326	**-**	6
Woolworths Meat Co. Pty Ltd	**387**	-	**-**	-
	387	326	**-**	6

Hilton Meats (International) Limited ceased to be a related party during 2012.

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

Company	2013 £'000	2012 £'000
Hilton Foods Limited – dividend received	**9,750**	9,500
Hilton Foods Limited – interest expense	**229**	356
Hilton Meats (Retail) Limited – payment for group relief	**88**	115

At the year-end £7,225,000 (2012: £11,399,000) was owed to Hilton Foods Limited and £88,000 (2012: £115,000) was owed by Hilton Meats (Retail) Limited.

Details of key management compensation are given in a note.