29 March 2012

Hilton Food Group plc

Preliminary results for 2011

Good progress despite difficult economic conditions

Hilton Food Group plc, Europe's leading specialist retail meat packing business supplying major international food retailers in twelve countries, is today announcing its results for 2011.

2011 FINANCIAL HIGHLIGHTS

	2011 52 weeks to 1 January 2012	**2010** 52 weeks to 2 January 2011	% **Change**
Revenue	**£981.3m**	**£864.2m**	**+13.6**
Operating profit	**£25.9m**	**£23.3m**	**+11.0**
Profit before tax	**£24.5m**	**£22.2m**	**+10.4**
Basic earnings per share	**24.7p**	**22.6p**	**+9.3**
Closing net debt	**£18.7m**	**£18.0m**	**+3.7**
Dividends paid and proposed in respect of 2011	**11.1p**	**10.2 p**	**+8.8**

2011 BUSINESS HIGHLIGHTS

- Revenue growth of 13.6%, driven by the new facility in Denmark and the recovery of higher raw material meat prices, despite economic conditions remaining difficult and uncertain across many regions of Europe.

- Volume growth of 6.0%, reflecting the new business in Denmark, with underlying volumes slightly reduced, due to pressure on consumer spending levels in the face of increased meat prices.

- Volume build up in Denmark in line with our expectations, with investment continuing on the new robotic store order picking facility, due to start operations in the second quarter of 2012.

- Continued strong cash generation, enabling the Group to maintain a high level of investment in equipment and facilities, to underpin the growth of our businesses over the longer term.

- Strong balance sheet, with net debt level at £18.7m only marginally increased, despite capital expenditure of £25.2m in 2011, which included £14.6m on our new Danish facilities.

- 74% of the Group's revenue now arising outside the United Kingdom, with 77% of the volume of meat packed outside the UK, in Northern and Central European countries.

Commenting, Robert Watson OBE, Chief Executive said:

"Once again I am pleased to report that during 2011 Hilton has delivered a good performance, continuing to demonstrate the resilience of the Group's business model. Revenue growth was strong in 2011 and further success was achieved with new product and packaging initiatives. We have been able to maintain a high level of investment in our modern meat packing facilities across Europe, designed to keep them at state of the art levels."

Enquiries

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Chairman's statement

DELIVERING AGAINST OUR STRATEGY

Our strategy is designed to improve and grow our business on a sustainable and consistent basis, to deliver long term value for both our retail partners and shareholders. The Group now supplies customers in twelve countries across Europe. It has achieved continuing progress during 2011, despite the impact of higher raw material meat prices on consumer spending. The Group has also continued to generate the levels of cash flow required to maintain high levels of investment, enabling it to drive efficiencies and extend capacities to underpin its future growth, whilst being able both to maintain a strong balance sheet and a dependable progressive dividend policy for its shareholders.

SUMMARY OF GROUP RESULTS

In 2011 volumes of meat packed for Hilton's customers increased by 6%, with revenue rising by 14% to £981.3m. Revenue growth reflected the start-up of our new business in Denmark and comparatively strong economic conditions in Sweden and Central Europe.

Profit before taxation rose by over 10%, from £22.2m to £24.5m. Interest cover was 19 times (2010: 21 times). Basic earnings per share were 24.7p in 2011 (2010: 22.6p), the increase of over 9% reflecting the increased operating profit, slightly higher interest costs and an unchanged effective rate of taxation.

Cash generated from operating activities in 2011 was £41.7m (2010: £34.1m). Net year end borrowings rose by less than 4% to £18.7m, compared with £18.0m at the end of 2010, despite £25.2m of capital expenditure, including £14.6m on the new facilities in Denmark. This level of cash generation enables us to continuously improve and develop our facilities, whilst being able to finance competitive geographical, service and product range expansion. Capital expenditure during the year included continued investment at all our existing sites, designed to drive efficiency gains, to take advantage of available advances in packing technology and to facilitate continued volume growth, in line with our customers' plans.

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

MANAGEMENT AND EMPLOYEES

I would like to pay a particular tribute to our people. Hilton operates a decentralised business model, with strong, largely self-sufficient, management teams in place in each country, which we consider to be important so that we can ensure very close working relationships with and rapid pro-active support for our customers. Throughout 2011 our 2,181 full time employees in six separate country business units displayed a continuing high level of dedication, conviction and professionalism. The Board fully understands and appreciates just how much our progress relies on their effort, personal commitment, enthusiasm, enterprise and initiative and I would like to take this opportunity, on behalf of the Board, to personally thank all our employees across Europe both for their hard work during 2011 and their continuing commitment to the Group's on-going growth and development.

OUR BOARD

We have a traditional governance structure with a separate Non-Executive Chairman and Chief Executive, under which the Chief Executive Robert Watson runs the Group's businesses, whilst I oversee the functioning of the Board.

After a long and distinguished career with Hilton, Colin Patten intends to stand down from his Board role in due course and will not be seeking re-election at the forthcoming Annual General Meeting. Colin will be available to assist the Group to achieve an orderly transition and at the end of that period will be leaving to pursue his family and private business interests. We would like to thank Colin for his tremendous contribution to the Group over many years and to wish him all the very best in his retirement.

The Board continues to benefit from a wide range of skills and depth of practical experience that is made available to closely support our management teams across Europe. I would like to take this opportunity to thank my colleagues on the Board for their wise counsel and continued enthusiasm, dedication and support.

DIVIDEND POLICY

The Board recognises the importance of dividend payments to shareholders and we aim 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 8.0p per ordinary share in respect of 2011. This, together with the interim dividend of 3.1p per ordinary share paid in December 2011, represents an 8.8% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 29 June 2012 to shareholders on the register on 1 June 2012 and the shares will be ex dividend on 30 May 2012.

OUR STRATEGY

Hilton has a simple, clear and well defined strategy focussing on the following four key elements:

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

We will continue to pursue progressive geographical expansion, whilst very actively developing, enriching and expanding the scope of our existing business partnerships. 2011 saw the start-up of Hilton's new business in Denmark and the Group continued in every country to drive forward new product initiatives, whilst maintaining a constant and rigorous focus on reducing unit packing costs and improving operational efficiencies. This enables us to play a full and proactive role in strongly supporting our customers and the development of their brands.

GEOGRAPHICAL REACH

Twelve years ago all our sales were made within the UK, but today 74% of our revenue now arises outside the United Kingdom, with 77% of our total volume of meat packed outside the UK, in Northern and Central European countries. These percentages have risen continuously over the last decade, reflecting Hilton's growing international reputation and footprint. The broad spread of the Group's businesses across Continental Europe serves to reduce Hilton's dependence on the fortunes of any one European economy, during these less certain economic times and continued geographical expansion, as opportunities arise, remains a key element in Hilton's strategic approach.

The Group also has relationships with suppliers of high quality meat around the world, sourcing product from over 40 different suppliers. This gives Hilton a high degree of flexibility and our customers the knowledge that Hilton can secure supply at competitive rates.

2012 OUTLOOK

The Group's past growth has been achieved through a combination of carefully considered geographical expansion together with the achievement of continuing progress within each country in which it operates. Currently, short term economic trends across Europe are very difficult to forecast, but the Group's business model has proved resilient and we remain well placed to benefit from any improvements in economic conditions when these eventually come through.

In 2012 we expect similar trading conditions featuring comparatively high prices for meat and other commodities and constrained consumer spending. The Board considers, however, that Hilton is well placed to deliver continued growth and meet the Board's expectations for 2012.

Sir David Naish DL
Non-Executive Chairman
28 March 2012

Chief Executive's summary

CONTINUED INVESTMENT IN SUSTAINABLE GROWTH

Good results and especially those achieved in difficult trading conditions are not achieved by chance. They represent both a credit to the efforts of our managers and employees and are a direct reflection both of the continued success of our long term retail partners, over a difficult and uncertain economic period, and our continued investment in top class operating facilities.

We aim to be the best specialist meat packing company in Europe and 2011 has seen another successful year for the Hilton Food Group, over which it has achieved continuing profitable growth, building on the solid progress achieved over previous years.

In terms both of sales and profit growth, our performance has remained robust. We have continued to invest to improve the operational efficiency of our packing plants, expand and develop our product ranges and put in place the required capacity for anticipated future growth. In Denmark our new meat packing facility commenced production in late March 2011, with volumes subsequently building up in line with our plans and expectations.

PERFORMANCE BY BUSINESS SEGMENT

Our business comprises two distinct business segments:

Western Europe

Operating profit of £23.2m (2010: £20.8m) on turnover of £888.7m (2010: £776.6m)

Western Europe covers the Group's businesses in the UK, Ireland, Holland, Sweden and Demark. Volume growth was 6.5%, with turnover growth of 14.4% representing significant progress in this segment. This reflected the new business start-up in Denmark and the recovery of higher raw material prices, partly offset by the effect of reduced consumer demand in the face of those higher raw material meat prices.

The new facility for Denmark commenced production in late March 2011 with volumes building up in line with our expectations. The investment in the robotic store order picking facility for Coop Danmark A/S is well advanced, with the start-up of operations scheduled for the second quarter of 2012.

Central Europe

Operating profit of £2.7m (2010: £2.5m) on turnover of £92.6m (2010: £87.6m)

Central Europe comprises the Group's meat packing business supplying three customers across Central Europe from its meat packing plant at Tychy in southern Poland. Volume growth of 4.0% was achieved in 2011, with turnover growth of 5.7%. This business supplies Ahold stores in Czech Republic and Slovakia, Tesco stores in Hungary, Czech Republic, Poland and Slovakia and Rimi stores in Latvia, Lithuania and Estonia.

Volume growth in this multi-customer business remains the key to achieving the very low levels of unit packing costs, which are an essential requirement for our customers to be able to compete strongly and grow in these very competitive developing markets.

CONTINUED INVESTMENT TO DRIVE EFFICIENCY

For us to succeed our customers need to view us as being at the forefront of the meat packing industry and as a committed partner with an established record of delivering value through innovative products and services, whilst relentlessly driving further efficiencies. Hilton aims to be "State of the Art" in every area of its business and its modern, well invested, facilities are considered a key factor in keeping unit packing costs as low as possible.

We constantly look for new and better ways of doing things and harnessing continuing advances in packing technology and robotic storage solutions enables us to increase volumes of meat which can be packed within a given factory footprint, thereby increasing asset utilisation. Hilton looks to build a business with strong longer-term prospects by being able to operate its packing plants at highest achievable levels of volumetric utilisation, whilst continuously improving product quality, presentation and yields. Over the eight years to December 2011, we have invested continuously, with capital expenditure on the Group's packing and storage facilities totalling over £140m.

OUR RETAIL PARTNERS

Our customer base comprises only successful blue chip multiple retailers and understanding our customers' needs and those of their consumers drives all that we do. 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, product innovation and reliable levels of food safety and product integrity assurance. These partnerships, combined with our customers' success have enabled the Group to continue to increase volumes whilst maintaining an unrelenting focus on reducing unit packing costs, which is essential for our customers who need competitive prices. 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

I have always been impressed by the passion and commitment of our people and our dedicated and hard-working employees have once again made a major contribution to Hilton's continued progress, against a difficult and uncertain economic backdrop. I would like to personally thank them for their hard work, loyalty, dedication and professionalism.

Hilton is very much a people oriented business and we are committed to attracting, retaining and developing the best available talent pool to drive our future growth, whilst providing staff with an inclusive working culture in which everyone feels valued and respected and works together across the businesses and functions as one team. The Group's businesses operate on the basis of providing very high customer service levels, with the individual performance of our employees on an every-day basis being vital to their delivery. The quality and depth of our management teams and workforces is a key driver of our successful growth and development, and we continue to increase the extent to which they routinely share best practice on a structured basis across the Group, in order to learn from each other, so as to be able to deliver the best achievable outcomes for all our customers.

I would also like to welcome all of the new employees that became part of the Hilton Food Group in 2011.

DIVERSITY

We recognise the benefits of diversity throughout the business, including gender diversity, and we employ a number of female senior managers across the group, importantly, in some key operational areas.

PRODUCT AND PACKAGING INNOVATION

Developing new products will always be one of the keys to success in any business and driving continuing innovation remains core to Hilton's strategic approach, both in terms of new product development and the range of services we offer to our customers. The broadening of our product ranges, together with continued innovation, is required both to ensure we can meet changing consumer needs and to adapt our businesses to reduce costs and increase efficiencies and capacities. Our product teams at each site are continuously involved in a wide range of new product and packaging developments, which, together with extending and adapting the ranges of products packed for our customers, can serve to further increase the volumetric utilisation of these packing facilities, thus achieving lower unit packing costs for our customers.

OUR STRATEGY

Hilton has a clear, simple and well defined strategy, with its principal objectives being to strongly support its customers' brands and their development in their local markets, whilst achieving attractive and sustainable rates of growth and returns for its shareholders.

This approach which we have pursued rigorously since the Group's inception has generated both continuing strong sales and profit growth over an extended period and laid sound foundations for our future growth. We have a proven business model which will enable us to take advantage of any new growth opportunities which may emerge.

Robert Watson OBE
Chief Executive
28 March 2012

Financial review

SOUNDLY BASED FINANCES

Hilton Food Group delivered another strong trading performance in the 52 weeks ending 1 January 2012, despite the difficult economic conditions prevailing in some of the countries in which it operates. This Financial review covers the main highlights of the Group's financial performance and position in 2011, 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 1 January 2012, with comparative information for the 52 week period ended 2 January 2011. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2011 FINANCIAL PERFORMANCE

Revenue

Volumes grew overall by 6.0% and further details of volume growth by business segment are set out in the Chief Executive's summary. Turnover rose by 13.6% to £981.3m, as compared to £864.2m in 2010, with 8.0% of the increase being attributable to new business start-up in Denmark. The volume increase is below the level of revenue gains, reflecting continuing pressure on consumer spending, in the face of the higher raw material meat prices.

Operating profit and margin

Operating profit, at £25.9m was 11.0% above the operating profit of £23.3m made in 2010. The operating profit margin in 2011 was 2.6%, as compared with 2.7% in 2010, reflecting the impact of higher raw material meat prices, which were recovered in selling prices, but do not under all our pricing arrangements give rise to a corresponding margin gain. Operating profit per kilogram of packed meat sold improved from 11.8p in 2010 to 12.4p in 2011.

Finance Costs

Net finance costs increased from £1.1m to £1.4m, reflecting the borrowings made to finance the investment in Denmark. Overall interest costs have, however, remained low, reflecting the continuing low United Kingdom LIBOR rate levels seen over 2011, which determine the interest rates on the Group's main sterling borrowings.

Profit before taxation

Profit before taxation, at £24.5m, was £2.3m (10.4%) higher than in 2010 (£22.2m), reflecting the operating profit improvement of £2.6m less the increase in finance costs of £0.3m detailed above.

Taxation

The taxation charge for the period was £5.9m (2010: £5.3m). This represented an effective taxation rate of 24%, in line with that of the previous year.

Earnings per share

Basic earnings per share were 24.7p (2010: 22.6p) an increase of 9.3%, reflecting the increased level of profit before taxation, an increased minority interest and an unchanged effective taxation rate. Diluted earnings per share increased by 8.5%, from 22.4p to 24.3p.

Free Cash Flow and Net Borrowing Levels

Cash flow continued to be strong in 2011, with the Group generating £6.8m of free cash flow before dividends and financing, despite capital expenditure of £25.2m of which £14.6m was incurred on our new Danish facilities. The underlying free cash flow, excluding the new Danish investment, was £21.4m (2010: £19.3m). This has enabled the Group to keep its borrowings close to last year's level, despite the continued investment in geographical expansion. Group borrowings, net of cash balances of £27.3m, stood at £18.7m at the end of 2011. Interest cover in 2011 was 19 times, as compared with 21 times in 2010. Our gearing ratio, represented by net debt divided by earnings before interest, tax, depreciation and amortisation, reduced to 0.4 times EBITDA (as compared to 0.5 times in 2010), with increased profitability and only a slightly higher year end net debt level. At the end of 2011 the Group had undrawn overdraft and loan facilities of £19.8m (2010: £21.7m).

BUSINESS PERFORMANCE MEASUREMENT

We have a strong vision and robust values for the business. We support these with a wide range of financial and non-financial Key Performance Indicators "KPI's", chosen by and reported to the Board each month, to measure progress we have made in building shareholder value and achieving the Group's strategic objectives. Our performance against the ten "KPI's" used by the Board for this purpose over the last two years is set out below:

Financial KPI's	**2011**	**2010**	Definition, method of calculation and analysis
Revenue growth (%)	13.6%	4.6%	Year on year revenue growth expressed as a percentage. The increase was well above the level of volume growth in 2011, reflecting the recovery of higher raw material meat prices over the year and the new business start up in Denmark.
Operating profit margin (% turnover)	2.6%	2.7%	Operating profit expressed as a percentage of turnover. The slight reduction in 2011 reflected the higher level of raw material meat prices which, whilst recovered, do not in all Hilton's contracts feed directly through to correspondingly increased margins.
Operating profit margin (pence per kilogram)	12.4	11.8	Operating profit per kilogram sold.
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£'m)	42.9	37.2	Operating profit before depreciation, amortisation and government capital grants. The improvement in 2011 reflects the growth in operating profit and an increased depreciation charge with the Danish investment recovered in revenue.
Free cash flow before minorities (£'m)	6.8	9.9	Cash flow before dividends and financing. The decrease in 2011 reflected the capital expenditure of £14.6m on the new facilities in Denmark, as compared with £9.4m in 2010. Excluding this expenditure on geographical expansion, underlying free cash flow improved, from £19.3m to £21.4m.
Gearing ratio	0.4	0.5	Year-end net debt divided by EBITDA. The gearing ratio improved in 2011, with a higher operating profit and only a small increase in the net debt level.
Non-financial KPI's	**2011**	**2010**	Definition, method of calculation and analysis
Growth in volume of packed meat sales (%)	6.0%	7.8%	Year on year volume growth, expressed as a percentage. The 2011 growth is driven by the start-up of the new business in Denmark. Excluding this factor, volumes declined slightly, with weaker consumer demand in the face of higher raw material meat prices.
Employee and labour agency costs (pence per kilogram)	40.0	39.3	Employment costs per kilogram of packed meat products sold. These rose slightly in 2011 with higher labour levels in Denmark over the start-up period and higher than average wage costs in Denmark.
Customer service level (%)	98.4%	98.9%	Packs of meat delivered as a % of the orders placed. The slight reduction reflects lower customer service levels typical in the early start-up months of any new business.
Number of product lines	1,900	1,600	Breadth of product range, in terms of number of stock keeping units supplied to customers, the increase reflects principally the

			addition of the new business in Denmark.

TREASURY RISK MANAGEMENT POLICIES

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

Foreign exchange rate movements and country specific risks

The presentational currency of the Group is sterling, but the majority of its revenues are now earned in other currencies, 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. The timing of the repatriation of overseas profits to the UK and the repayment of any intra group loans due to UK holding companies have regard to actual and forecast exchange rates. Changes in relevant currency parities are monitored on a day to day basis. The Group has to date decided not to hedge its foreign exchange rate exposures, the impact of which has been broadly favourable overall over recent years, but this policy is kept under continuing review. The Group's overseas subsidiaries 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.

In these more difficult and uncertain times the level of country specific risk has risen 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 debt. The Group sells high quality basic food products, for which there will always be continuing demand, to blue chip multiple retailers in developed countries. Hilton has not to date been materially adversely affected by the recessionary environments experienced over recent times in some countries, but will keep any future identified country specific risks under continuing review.

Interest rate fluctuation risk

This risk arises from the fact that the interest rates on the Group's borrowings are variable, being at agreed margins over LIBOR for sterling borrowings or EURIBOR for euro borrowings, which fluctuate. The Group's principal borrowing is in sterling, with interest at an agreed margin over LIBOR. The Board's policy is to have an interest rate cap on a proportion of this borrowing and the Group currently has in place a 3 year cap at 4.5% on 69% of its sterling term loan from Ulster Bank. The Board would 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

This is an area which for many businesses represents a material concern, given the continuing difficult economic environment and liquidity constraints across banking systems in Europe which, in the light of current developments, may not resolve themselves rapidly. 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.

KEY JUDGEMENTS AND ASSUMPTIONS

Judgements and assumptions made in the financial statements and incorporated into the accounting policies are continually reviewed, but remain in all material respects consistent with those made in 2010.

FORWARD LOOKING STATEMENTS

The Chairman's statement, the Chief Executive's summary, the Financial review and the Business review together with the other reports which together comprise the Enhanced Business Review contain forward looking statements that are inevitably subject to risk factors associated with, amongst other things, economic, political and business developments which may occur from time to time across the countries in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but all forward looking statements and forecasts 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 three 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 in the timescales required.

The Group's internal budgets and forecasts, which incorporate all reasonably foreseeable changes in trading performance, are 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
28 March 2012

Business review

WELL POSITIONED FOR FUTURE GROWTH

We hope this Annual Report and Accounts, which explains who we are, what services we provide and how we performed in 2011, gives shareholders and other stakeholders the information they require in relation to our company and the steps we are taking to cement our reputation as Europe's leading specialist meat packing company. This business review covers in turn the key resources and relationships of the business, the main trends and factors considered likely to impact the future development of the Group's businesses and the principal risks and uncertainties which face our businesses, together with the measures we have adopted to minimise and contain these risks.

THE KEY RESOURCES AND RELATIONSHIPS OF THE BUSINESS

The Group aims to safeguard the resources and relationships which are vital to its successful development. The resources and relationships which we consider are most critical to our business are detailed below:

Long term partnerships with strong retail customers	Our relationships with our customers are critical to our continuing success. Whilst detailed arrangements with customers vary, Hilton has close long term partnership relationships with its multiple retail customers (all but one of whom are subsidiary or associated companies of the Tesco or Ahold groups), which involve continuous close liaison, discussion and co-ordination, designed to ensure that the best possible outcomes are achieved for both our partners and their customers.
Growing reputation	Hilton's growing reputation, which is a key driver of its growth, has been built on its achieved levels of product quality and presentation, food safety and integrity, product innovation, service levels, health and safety, the way in which it treats its employees and suppliers, the manner in which it operates its facilities and its proven ability to adapt its business model to different customer and country requirements. All of these elements, which are achieved within a culture of safe working and concern for the environment, whilst operating within all applicable local and national regulations, are the responsibility of the operational management teams in each country, supported by specialist central expertise and assistance, as and when required.
Modern, well invested meat packing plants	The Group has well invested modern facilities having invested over £140m over the last eight years to increase packing capacity, so as to be able to service its customers' growth whilst ensuring its packing facilities are kept at a state of the art level.
Employee skill base	Our relationship with our employees is a key factor behind our success and the Group continues to invest in developing its people. In addition to training and mentoring programmes, where additional skills are required, the strategies for retaining key staff include the provision of terms and conditions which are competitive in each locality, together with employer contributions to defined contribution pension schemes.
Wide and flexible meat supply base	Hilton has strong long term trading relationships with its key meat suppliers and is over time steadily widening its supply base and increasing its procurement strength. Supplier relationships are underpinned by fairness, loyalty and a partnership approach which pays regard to the interests of both parties. The Group maintains a wide, diverse and flexible global meat supply base, so as to be able to provide sufficient volume of products on short lead times as ordered by its customers.
Committed banking facilities	The Group is cash generative and has committed banking facilities sufficient to support its existing business for the foreseeable future, taking into account available cash balances.
Focus on the environment, employees	We work with the local communities in which our facilities are located and fully respect our environmental obligations. Information in relation to these matters and issues are set out in the Corporate and Social Responsibility report. None of these issues had a material impact

and community issues	on the development, performance or position of the Group’s businesses in 2011.

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

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

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

As the larger retail chains have gained a greater share of the grocery markets, these retail chains are increasingly turning to large scale, centralised meat packing plants capable of producing packed meat products more hygienically and cost efficiently. By moving to larger suppliers of pre-packed meat from the optimum logistical locations the retailers have effectively chosen to rationalise their supply base, so as to deliver lower costs and higher food safety, food integrity and quality standards. This has allowed the retailers to focus on their core business and maximise their return on available retail space.

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

The Group’s historical geographical expansion

Hilton’s past expansion has been based on its established track record, together with its growing international reputation and experience and the close partnerships for joint benefit it has established and maintained with successful retail partners. The six European countries in which the Group currently operates meat packing plants, its retail partners served from those plants (all of whom, with the exception of Coop Danmark, are subsidiary or associated companies of the Tesco or Ahold groups) and the chronological order in which each facility commenced operations is set out below:

1994 UK – Huntingdon (Tesco)

2000 Holland – Zaandam (Albert Heijn)

2004 Ireland – Drogheda (Tesco)

2004 Sweden – Vasteras (ICA)

2006 Poland – Tychy (Ahold, Tesco and Rimi)

2011 Denmark – Hasselager (Coop Danmark)

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

RISK MANAGEMENT

The management of the business and the execution of the Group’s strategy are subject to a number of risks and the Group has a well-developed structure and range of processes for identifying and mitigating the key business risks it faces.

As with any business, there are risks and uncertainties inherent in the Group’s operations which could have a significant impact on its business, reputation, operating results and financial position, which we manage, in order to help us achieve our strategic objectives and protect our reputation.

The most significant business risks faced, which are unchanged from last year and which will continue to affect the group’s businesses, together with the measures we have adopted to mitigate these risks, are outlined in the table below.

This is not intended to constitute an exhaustive analysis of all risks faced by the Group, just those which are most significant from the standpoint of the Group as a whole.

Risk area	The Group is dependent on a small number of customers who can exercise significant buying power and influence.
Potential impact	The Group has a comparatively narrow, but recently extended, customer base, with sales to subsidiary or associated companies of the Tesco and Ahold groups currently comprising the larger part of Hilton's revenue. The large retail chains are continuing to increase their market share of meat products in many countries, as retail customers move away from high street butchers towards one stop convenience shopping in large supermarkets. The continuation of this trend increases the buying power of the Group's customers which in turn increases their negotiating power with the Hilton Food Group, which could enable them to seek better terms over time.
Risk mitigation measures	The Group's investment in state of the art facilities, together with its management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively, which is particularly important in the continuing difficult economic environment. The Group's customer driven business model is focused solely on central meat packing and is unencumbered by the issues and conflicts faced by the majority of the Group's competitors who are also involved in significant upstream processing, including rearing, growing, slaughtering and cutting. Hilton operates a decentralised, entrepreneurial business structure, which enables it to work very closely and flexibly with its retail partner in each country, and achieves high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety and product integrity assurance.

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

Risk area	The Group'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 seen recently across Europe. Few people could have foreseen the extent to which world events would impact even the most stable economies.
Risk mitigation measures	With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made good progress over the recent difficult economic period. It expects to be able to continue to make progress going forward, even if the current difficult economic conditions, as expected, persist for some time.

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

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

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

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

The Group is dependent on the quality and effectiveness of its risk management strategy and procedures. All types of risk applicable to the business are regularly reviewed and a formal risk assessment review is carried out to highlight key risks to the business and to consider action that can reasonably and cost effectively be taken to mitigate them. The Group's Risk Register is compiled through a combination of business unit risk registers and Board input. The Board believes that in 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 opportunities, but, however skilfully this balance is struck, the business will always be subject to a number of risks and uncertainties, as illustrated above.

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

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

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

Each of the Directors whose names and functions are set out below 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 28 March 2012 and is signed on its behalf by:

Directors

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

Consolidated income statement

	Notes	**2011 52 weeks £'000**	2010 52 weeks £'000
Continuing operations			
Revenue	3	**981,345**	864,223
Cost of sales		**(850,893)**	(750,787)
Gross profit		**130,452**	113,436
Distribution costs		**(9,720)**	(11,049)
Administrative expenses		**(94,850)**	(79,071)
Operating profit		**25,882**	23,316
Finance income	4	**258**	135
Finance costs	4	**(1,627)**	(1,240)
Finance costs – net	4	**(1,369)**	(1,105)
Profit before income tax		**24,513**	22,211
Income tax expense	5	**(5,915)**	(5,296)
Profit for the year		**18,598**	16,915
Attributable to:			
Owners of the parent		**17,199**	15,745
Non-controlling interests		**1,399**	1,170
		18,598	16,915
Earnings per share for profit attributable to owners of the parent during the year			
– Basic (pence)	6	**24.7**	22.6
– Diluted (pence)	6	**24.3**	22.4

Consolidated statement of comprehensive income

	2011 52 weeks £'000	2010 52 weeks £'000
Profit for the year	**18,598**	16,915
Other comprehensive income		
Currency translation differences	**(1,553)**	411
Other comprehensive income for the year net of tax	**(1,553)**	411
Total comprehensive income for the year	**17,045**	17,326
Total comprehensive income attributable to:		
Owners of the parent	**15,732**	16,241
Non-controlling interests	**1,313**	1,085
	17,045	17,326

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

Consolidated balance sheet

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**59,179**	57,836	**-**	-
Intangible assets	9	**1,907**	2,063	**-**	-
Investments in subsidiary undertakings		**-**	-	**102,985**	102,985
Deferred income tax assets		**1,134**	1,021	**-**	-
		62,220	60,920	**102,985**	102,985
Current assets					
Inventories		**22,466**	20,346	**-**	-
Trade and other receivables		**104,033**	85,088	**156**	195
Current income tax assets		**-**	-	**133**	156
Cash and cash equivalents		**27,345**	26,141	**14**	1
		153,844	131,575	**303**	352
Total assets		**216,064**	192,495	**103,288**	103,337
Equity					
Capital and reserves attributable to owners of the parent					
Share capital		**6,985**	6,966	**6,985**	6,966
Share premium		**372**	-	**372**	-
Employee share schemes reserve		**1,558**	1,071	**-**	-
Foreign currency translation reserve		**2,291**	3,758	**-**	-
Retained earnings		**45,392**	35,518	**9,970**	8,104
		56,598	47,313	**17,327**	15,070
Reverse acquisition reserve		**(31,700)**	(31,700)	**-**	-
Merger reserve		**919**	919	**71,019**	71,019
		25,817	16,532	**88,346**	86,089
Non-controlling interests		**3,452**	2,613	**-**	-
Total equity		**29,269**	19,145	**88,346**	86,089
Liabilities					
Non-current liabilities					
Borrowings	10	**35,615**	35,359	**-**	-
Deferred income tax liabilities		**641**	1,037	**-**	-
		36,256	36,396	**-**	-
Current liabilities					
Borrowings	10	**10,440**	8,828	**-**	-
Trade and other payables		**138,998**	124,820	**14,942**	17,248
Current income tax liabilities		**1,101**	3,306	**-**	-
		150,539	136,954	**14,942**	17,248
Total liabilities		**186,795**	173,350	**14,942**	17,248
Total equity and liabilities		**216,064**	192,495	**103,288**	103,337

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

The financial statements were approved by the Board on 28 March 2012 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 4 January 2010		6,966	-	377	3,262	26,432	(31,700)	919	6,256	2,300	8,556
Comprehensive income											
Profit for the year		-	-	-	-	15,745	-	-	15,745	1,170	16,915
Other comprehensive income											
Currency translation differences		-	-	-	496	-	-	-	496	(85)	411
Total comprehensive income		-	-	-	496	15,745	-	-	16,241	1,085	17,326
Transactions with owners											
Adjustment in respect of employee share schemes		-	-	500	-	-	-	-	500	-	500
Tax on employee share schemes		-	-	194	-	-	-	-	194	-	194
Dividends paid	7	-	-	-	-	(6,659)	-	-	(6,659)	(772)	(7,431)
Total transactions with owners		-	-	694	-	(6,659)	-	-	(5,965)	(772)	(6,737)
Balance at 2 January 2011		6,966	-	1,071	3,758	35,518	(31,700)	919	16,532	2,613	19,145
Comprehensive income											
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		**-**	**-**	**-**	**(1,467)**	**17,199**	**-**	**-**	**15,732**	**1,313**	**17,045**
Transactions with owners											
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**
Company											
Balance at 4 January 2010		6,966	-	-	-	311	-	71,019	78,296		
Comprehensive income											
Profit for the year		-	-	-	-	14,452	-	-	14,452		
Total comprehensive income		-	-	-	-	14,452	-	-	14,452		
Transactions with owners											
Dividends paid	7	-	-	-	-	(6,659)	-	-	(6,659)		
Total transactions with owners		-	-	-	-	(6,659)	-	-	(6,659)		
Balance at 2 January 2011		6,966	-	-	-	8,104	-	71,019	86,089		
Comprehensive income											
Profit for the year		**-**	**-**	**-**	**-**	**9,191**	**-**	**-**	**9,191**		
Total comprehensive income		**-**	**-**	**-**	**-**	**9,191**	**-**	**-**	**9,191**		
Transactions with owners											
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**		

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

Consolidated cash flow statement

	Notes	Group 2011 52 weeks £'000	Group 2010 52 weeks £'000	Company 2011 52 weeks £'000	Company 2010 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	11	**41,688**	34,139	**-**	-
Interest paid		**(1,627)**	(1,240)	**(435)**	(557)
Income tax (paid)/received		**(8,341)**	(5,335)	**195**	522
Net cash generated from/(used in) operating activities		**31,720**	27,564	**(240)**	(35)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(24,350)**	(17,573)	**-**	-
Proceeds from sale of property, plant and equipment		**21**	83	**-**	-
Purchases of intangible assets		**(873)**	(275)	**-**	-
Interest received		**258**	135	**-**	-
Dividends received		**-**	-	**9,500**	14,852
Net cash (used in)/generated from investing activities		**(24,944)**	(17,630)	**9,500**	14,852
Cash flows from financing activities					
Proceeds from borrowings		**9,309**	7,700	**-**	-
Repayments of borrowings		**(6,935)**	(8,063)	**-**	-
Repayment of inter-company loan		**-**	-	**(2,304)**	(8,158)
Issue of shares		**382**	-	**382**	-
Dividends paid to Company shareholders		**(7,325)**	(6,659)	**(7,325)**	(6,659)
Dividends paid to minority interests		**(474)**	(772)	**-**	-
Net cash used in financing activities		**(5,043)**	(7,794)	**(9,247)**	(14,817)
Net increase in cash and cash equivalents		**1,733**	2,140	**13**	-
Cash and cash equivalents at beginning of the year		**26,141**	24,141	**1**	1
Exchange losses on cash and cash equivalents		**(529)**	(140)	**-**	-
Cash and cash equivalents at end of the year		**27,345**	26,141	**14**	1

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

Notes to the financial statements

1 General information

Hilton Food Group plc ("the Company") and its subsidiaries (together "the Group") is a specialist retail meat packing business supplying major international food retailers in twelve European 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 has its primary listing on the London Stock Exchange.

The financial year represents the 52 weeks to 1 January 2012 (prior financial year 52 weeks to 2 January 2011).

This preliminary announcement was approved for issue on 28 March 2012.

2 Summary of significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 2 January 2011.

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 1 January 2012 and 2 January 2011 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 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**	**2011 Total £'000**	Western Europe £'000	Central Europe £'000	2010 Total £'000
Total segment revenue	**891,453**	**92,600**	**984,053**	777,717	87,637	865,354
Inter–segment revenue	**(2,708)**	**-**	**(2,708)**	(1,131)	-	(1,131)
Revenue from external customers	**888,745**	**92,600**	**981,345**	776,586	87,637	864,223
Operating profit/segment result	**23,152**	**2,730**	**25,882**	20,786	2,530	23,316
Finance income	**204**	**54**	**258**	83	52	135
Finance costs	**(1,432)**	**(195)**	**(1,627)**	(1,078)	(162)	(1,240)
Income tax expense	**(5,388)**	**(527)**	**(5,915)**	(4,835)	(461)	(5,296)
Profit for the year	**16,536**	**2,062**	**18,598**	14,956	1,959	16,915
Depreciation and amortisation	**15,064**	**1,839**	**16,903**	12,225	1,729	13,954
Additions to non-current assets	**19,673**	**279**	**19,952**	19,603	3,516	23,119
Segment assets	**194,376**	**20,554**	**214,930**	171,042	20,432	191,474
Deferred income tax assets			**1,134**			1,021
Total assets			**216,064**			192,495
Segment liabilities	**146,867**	**13,475**	**160,342**	123,965	14,466	138,431
Borrowings			**24,711**			30,576
Current income tax liabilities			**1,101**			3,306
Deferred income tax liabilities			**641**			1,037
Total liabilities			**186,795**			173,350

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

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

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

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

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

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Analysis by geographical area				
United Kingdom – country of domicile	**259,462**	255,125	**10,201**	11,173
Netherlands	**263,384**	252,095	**11,874**	12,820
Sweden	**213,363**	186,700	**4,973**	6,921
Republic of Ireland	**82,574**	81,443	**7,419**	8,731
Denmark	**69,962**	1,223	**21,258**	12,542
Central Europe	**92,600**	87,637	**5,361**	7,712
	981,345	864,223	**61,086**	59,899
Analysis by principal customer				
Customer 1	**543,575**	494,390		
Customer 2	**361,723**	361,540		
Other	**76,047**	8,293		
	981,345	864,223		

4 Finance income and costs

	2011	2010
Group	**£'000**	£'000
Finance income		
Interest income on short-term bank deposits	**257**	133
Interest on income taxes	**1**	2
Finance income	**258**	135
Finance costs		
Bank borrowings	**(1,206)**	(896)
Finance leases	**(229)**	(232)
Exchange losses on foreign currency borrowings	**(38)**	(63)
Other interest expense	**(154)**	(49)
Finance costs	**(1,627)**	(1,240)
Finance costs – net	**(1,369)**	(1,105)

5 Income tax expense

Group	2011 £'000	2010 £'000
Current income tax		
Current tax on profits for the year	**6,437**	6,205
Adjustments to tax in respect of previous years	**(47)**	98
Total current tax	**6,390**	6,303
Deferred income tax		
Origination and reversal of temporary differences	**(427)**	(844)
Adjustments to tax in respect of previous years	**(48)**	(163)
Total deferred tax	**(475)**	(1,007)
Income tax expense	**5,915**	5,296

Deferred tax credited directly to equity during the year in respect of employee share schemes amounted to £79,000 (2010: £194,000).

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 26.5% (2010: 28%) applied to profits of the consolidated entities as follows:

	2011 £'000	2010 £'000
Profit before income tax	**24,513**	22,211
Tax calculated at the standard rate of UK Corporation Tax 26.5% (2010: 28%)	**6,496**	6,219
Expenses not deductible for tax purposes	**67**	52
Adjustments to tax in respect of previous years	**(95)**	(65)
Profits taxed at rates other than 26.5% (2010: 28%)	**(706)**	(972)
Other	**153**	62
Income tax expense	**5,915**	5,296

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 equity holders of the Company 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.

Group		2011 Basic	2011 Diluted	2010 Basic	2010 Diluted
Profit attributable to owners of the parent (£'000)	(£'000)	**17,199**	**17,199**	15,745	15,745
Weighted average number of ordinary shares in issue	(thousands)	**69,747**	**69,747**	69,657	69,657
Adjustment for share options	(thousands)	**-**	**1,082**	-	702
Adjusted weighted average number of ordinary shares	(thousands)	**69,747**	**70,829**	69,657	70,359
Basic and diluted earnings per share (pence)	(pence)	**24.7**	**24.3**	22.6	22.4

7 Dividends

Group	**2011** **£'000**	2010 £'000
Second interim dividend in respect of 2010 paid nil per ordinary share (2010: 5.54p)	**-**	3,859
Final dividend in respect of 2010 paid 7.4p per ordinary share (2010: 1.22p)	**5,160**	850
Interim dividend in respect of 2011 paid 3.1p per ordinary share (2010: 2.8p)	**2,165**	1,950
Total dividends paid	**7,325**	6,659

The Directors propose a final dividend of 8.0 p per share payable on 29 June 2012 to shareholders who are on the register at 1 June 2012. This dividend totalling £5.6m 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 4 January 2010	22,054	97,321	9,589	366	129,330
Exchange adjustments	(371)	263	299	-	191
Additions	3,054	19,171	464	155	22,844
Disposals	-	(585)	(139)	(142)	(866)
At 2 January 2011	24,737	116,170	10,213	379	151,499
Accumulated depreciation					
At 4 January 2010	9,152	64,562	7,169	195	81,078
Exchange adjustments	(123)	205	225	-	307
Charge for the year	1,451	10,318	1,245	73	13,087
Disposals	-	(549)	(122)	(138)	(809)
At 2 January 2011	10,480	74,536	8,517	130	93,663
Net book amount					
At 4 January 2010	12,902	32,759	2,420	171	48,252
At 2 January 2011	14,257	41,634	1,696	249	57,836
Cost					
At 2 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 2 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 1 January 2012	**12,087**	**44,573**	**2,346**	**173**	**59,179**

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 land and buildings £nil (2010: £2,905,000) and plant and machinery £3,668,000 (2010: £11,440,000).

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

	2011 £'000	2010 £'000
Cost – capitalised finance leases	**3,517**	3,576
Accumulated depreciation	**(1,395)**	(1,225)
Net book amount	**2,122**	2,351

Included in assets held under finance leases are land and buildings with a net book amount of £2,078,000 (2010: £2,299,000) and plant and machinery with a net book amount of £44,000 (2010:£52,000).

9 Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost				
At 4 January 2010	8,108	2,984	836	11,928
Exchange adjustments	(289)	141	-	(148)
Additions	47	228	-	275
At 2 January 2011	7,866	3,353	836	12,055
Accumulated amortisation				
At 4 January 2010	7,353	1,924	-	9,277
Exchange adjustments	(263)	111	-	(152)
Charge for the year	355	512	-	867
At 2 January 2011	7,445	2,547	-	9,992
Net book amount				
At 4 January 2010	755	1,060	836	2,651
At 2 January 2011	421	806	836	2,063
Cost				
At 2 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 2 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 1 January 2012	**38**	**1,033**	**836**	**1,907**

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

10 Borrowings

Group	2011 £'000	2010 £'000
Current		
Bank borrowings	**10,318**	8,711
Finance lease liabilities	**122**	117
	10,440	8,828
Non-current		
Bank borrowings	**32,740**	32,306
Finance lease liabilities	**2,875**	3,053
	35,615	35,359
Total borrowings	**46,055**	44,187

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	2011 £'000	2010 £'000
UK Pound	**24,720**	30,595
Euro	**21,335**	13,592
	46,055	44,187

The Group reorganisation loan of £24,711,000 (2010: £30,576,000) is repayable in quarterly instalments by 28 February 2015. Interest is charged at LIBOR plus 1.75% subject to interest rate caps over £17m of borrowings where LIBOR is capped at 4.5%. Other bank borrowings are repayable by 2013 to 2017 with interest charged at EURIBOR plus 1.75%.

Bank borrowings totalling £43,058,000 (2010: £41,017,000) 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 and loan borrowing facilities of £19.8m (2010: £21.7m) which expire after one year.

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

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

	Minimum lease payments		Present value	
Group	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
No later than one year	**336**	343	**122**	117
Later than one year and no later than five years	**1,394**	1,392	**2,875**	573
Later than five years	**2,997**	3,430	**-**	2,480
	4,727	5,165	**2,997**	3,170
Future finance charges on finance leases	**(1,730)**	(1,995)	**-**	-
Present value of finance lease liabilities	**2,997**	3,170	**2,997**	3,170

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 £4,406,000 (2010: £4,778,000). The fair values are based on cash flows discounted using the European Central Bank benchmark main refinancing operations fixed interest rate of 1.0% (2010: 1.0%).

11 Cash generated from operations

Group	2011 £'000	2010 £'000
Profit before income tax	**24,513**	22,211
Finance costs – net	**1,369**	1,105
Operating profit	**25,882**	23,316
Adjustments for non-cash items:		
Depreciation	**15,923**	13,087
Amortisation of intangible assets	**980**	867
Loss/(profit) on disposal of property, plant and equipment	**128**	(26)
Adjustment in respect of employee share schemes	**408**	500
Changes in working capital:		
Inventories	**(2,670)**	(2,822)
Trade and other receivables	**(19,762)**	(7,186)
Prepaid expenses	**(1,339)**	140
Trade and other payables	**22,734**	9,229
Accrued expenses	**(596)**	(2,966)
Cash generated from operations	**41,688**	34,139

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	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Hilton Meats (International) Limited	**2,435**	2,131	**55,500**	56,706
Romford Wholesale Meats Limited	**-**	-	**47,104**	44,487
RWM Dorset Limited	**-**	-	**15,795**	20,947

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

	Owed from related parties		Owed to related parties	
Group	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Hilton Meats (International) Limited	**133**	188	**2,911**	2,831
Romford Wholesale Meats Limited	**-**	-	**1,930**	2,645
RWM Dorset Limited	**-**	-	**821**	1,467
	133	188	**5,662**	6,943

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

Company	2011 £'000	2010 £'000
Hilton Foods Limited – dividend received	**9,500**	14,852
Hilton Foods Limited – interest expense	**432**	557
Hilton Meats (Retail) Limited – payment for group relief	**156**	195

At the year-end £14,940,000 (2010: £17,244,000) was owed to Hilton Foods Limited and £156,000 (2010: £195,000) was owed by Hilton Meats (Retail) Limited.

Details of key management compensation are given in a note.