



Europe's leading specialist retail meat packing business

Annual report and financial statements 2010



Business overview

Hilton Food Group plc, the leading specialist meat packing business supplying major international food retailers in Europe, is pleased to announce its results for the 52 weeks to 2 January 2011.

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Financial review

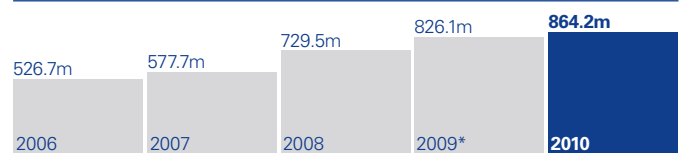
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Overview

Financial highlights

Delivering continuing growth in line with our strategy
Hilton Food Group plc, Europe's leading specialist retail meat packing business supplying major international food retailers in 11 countries, announces its results for 2010.

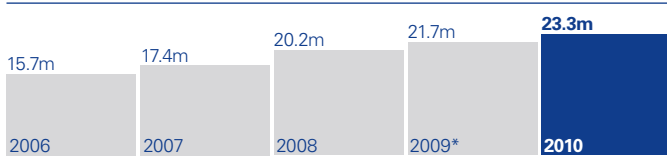
Revenue £m **£864.2m**
+4.6%



	Western Europe	Central Europe	Total
2010	776.6	87.6	864.2
2009*	755.7	70.4	826.1
2008	679.7	49.8	729.5
2007	551.8	25.9	577.7
2006	517.9	8.8	526.7

*53 weeks

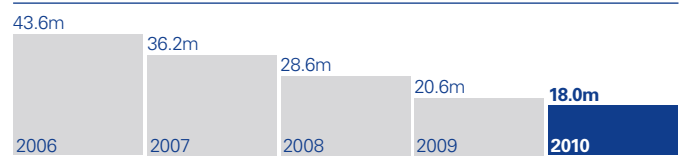
Operating profit £m **£23.3m**
+7.3%



	Western Europe	Central Europe	Total
2010	20.8	2.5	23.3
2009*	19.4	2.3	21.7
2008	18.9	1.3	20.2
2007	16.8	0.6	17.4
2006	15.4	0.3	15.7

*53 weeks

Closing net debt £m **£18.0m**
-12.2%



	Total
2010	18.0
2009	20.6
2008	28.6
2007	36.2
2006	43.6

Key strengths

- > Strong relationships with major international retailers
- > Long track record in quality and service
- > Reduced risk business model
- > Established supply chain
- > High volume, efficient and modern facilities
- > Experienced management team
- > Profitable, cash generative business
- > Potential growth opportunities

How we measure value

- > Consistent quality
- > Continuous innovation
- > Dedicated customer focus
- > Competitive pricing
- > Food safety assurance
- > Full production traceability
- > High service levels

02 Group overview

Where we operate

United Kingdom



Commenced
Production

1994

Location
Huntingdon

Customer
Tesco UK

Netherlands



Commenced
Production

2000

Location
Zaandam

Customer
Albert Heijn

Ireland



Commenced
Production

2004

Location
Drogheda

Customer
Tesco Ireland

Sweden



Commenced
Production

2004

Location
Vasteras

Customer
ICA

Central Europe



Commenced
Production

2006

Location
Tychy Poland

Customers
Ahold Central Europe
Rimi Baltics
Tesco Central Europe

Denmark



Commenced
Production

2011

Location
Aarhus

Customer
Coop Danmark

Chairman's statement

Continued strong growth



Sir David Naish DL
Non-Executive Chairman

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

The Group supplies customers in 11 countries across Europe and has achieved continuing sales and volume growth. It has also continued to generate the cash flow required both to maintain high levels of investment and a progressive dividend policy for its shareholders.

Overview of Group results

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

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

Cash generated from operating activities in 2010 was £34.1m, which enabled net year end borrowings to be reduced to £18.0m, compared with £20.6m at the end of 2009, despite £9.4m of capital expenditure on the new facility in Denmark. This level of cash generation enables us to continuously improve and develop our facilities, whilst being able to finance geographical and product and service range expansion on competitive terms. Capital expenditure of £17.8m during the



year included the investment required to facilitate the continued expansion of our existing businesses and the required initial investment for our new business in Denmark. There was also continued investment at all our existing sites, taking advantage of the latest advances in packing technology to drive efficiency gains and increase volumes, in line with our customers' growth plans.

The Group's results are considered in greater detail in the Chief Executive's summary and the Financial review sections on pages 6 to 13.

Hilton's geographical coverage

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

Our management and employees

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

Board changes

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

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

Progressive dividend policy

We seek to maintain a progressive dividend policy that provides both an appropriate return to shareholders and a dividend level that grows broadly in line with the underlying earnings of the Group. I am pleased to report that, in line with this policy, the Board has recommended a final dividend of 7.4p per ordinary share in respect of 2010. This, together with the interim dividend of 2.8p per ordinary share paid in December 2010, represents a 9% increase over last year. The final dividend, if approved by shareholders, will be paid on 1 July 2011 to shareholders on the register on 3 June 2011 and the shares will be ex dividend on 1 June 2011.

Our business strategy

Hilton has a strong vision and a clear, well defined strategy and continues to pursue its key strategic goal of progressive geographical expansion. In 2010 Rimi in Estonia was added as a new customer, serviced from our facility in Poland, and in

February 2011 the operation of a robotised store order picking facility was added to the contract signed in Denmark last year. Further volume growth in 2010, driven by new product initiatives and customer gains, has secured increased economies of scale, directly benefiting both the Group and its customers. A constant and rigorous focus on reducing unit packing costs and improving operational efficiencies has enabled the Group to play a continuing proactive role in strongly supporting its customers and their brands.

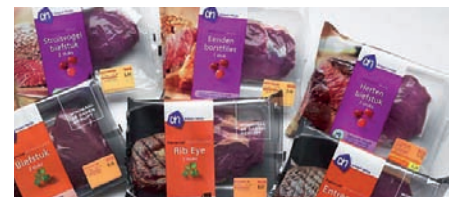
2011 outlook

The Group's past growth has been achieved by a combination of steady geographical expansion and continuing progress achieved within each country in which the Group operates. We expect volume growth to continue but the pace of economic recovery will differ across the 12 countries in which the Group's customers are located. We remain well placed to benefit from any improvements in economic conditions.

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

Sir David Naish DL
Non-Executive Chairman

30 March 2011



Chief Executive's summary

Continued investment and innovation

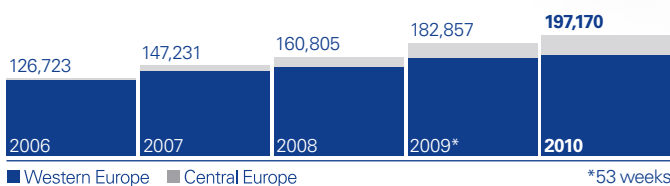


Robert Watson OBE
Chief Executive

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

In terms both of sales and profit growth our performance remained strong over a year which, in terms of the subdued European economic backdrop, has remained relatively challenging. We have continued to invest to improve the operational efficiency of our packing plants, expand and develop our product ranges and put in place the required capacity for anticipated future growth. In Denmark our new factory has now been built, with all the required equipment and machinery ordered and its installation and commissioning, together with required staff recruitment, fully on schedule for a planned start of operations in April 2011.

Volume growth (tonnes)



Overview of operating performance by business segment

Western Europe

Operating profit: £20.8m

2009: £19.4m

Turnover: £776.6m

2009: £755.7m

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

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

Central Europe

Operating profit: £2.5m

2009: £2.3m

Turnover: £87.6m

2009: £70.4m

Central Europe comprises the Group's rapidly expanding meat packing business, based at its packing plant in Tychy, in southern Poland. On a comparable 52 week basis, volume growth of 32.7% was achieved in 2010 with turnover growth of 24.5% reflecting the volume growth offset by a higher proportion of lower priced pork and mince lines. This business supplies Ahold stores in Czech Republic and Slovakia, Tesco stores in Hungary, Czech Republic, Poland and Slovakia and Rimi stores in Latvia, Lithuania and Estonia.

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

Innovation

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



Chief Executive's summary continued

Investment in facilities, automation and technology

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

Partners

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

Our current expansion into Denmark, which is with a new customer Coop Danmark A/S, is in line with past geographical expansion, in that we have the potential to deliver major benefits for our partner, whilst building a strong, dependable and growing business for the Group. As with our other partnerships, we have taken the time to gain an in depth knowledge of our customers' needs, together with the specific requirements of their local market, so as to ensure our production configuration has been optimised to meet their needs.



Colleagues

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

Strategic priorities

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

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

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

Robert Watson OBE
Chief Executive

30 March 2011



Financial review

Sound finances



Nigel Majewski
Finance Director

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

Basis of preparation

The Group is presenting its results for the 52 week period ended 2 January 2011, with comparative information for the 53 week period ended 3 January 2010. All growth figures are reported on a 52 compared to a 53 week basis, unless stated otherwise. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2010 Financial performance

Revenue

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

Operating profit margin

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

Operating profit

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

Finance costs

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

Profit before taxation

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

Taxation

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

Earnings per share

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

Free cash flow and net borrowing levels

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

Business performance measurement

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

Financial KPIs

Revenue growth
(2009: 13.2%)

4.6%

Definition, method of calculation and analysis

Year on year revenue growth expressed as a percentage. The increase was below the level of volume growth in 2010, reflecting principally the impact of a lower priced product mix and an increased proportion of sales made in Central Europe. The 2010 increase on a comparable 52 week basis was 6.3%.

Operating profit margin
(2009: 2.6%)

2.7%

Definition, method of calculation and analysis

Operating profit expressed as a percentage of turnover. The improvement in 2010 reflected the diminished effect of consumers trading down to less expensive meat products.

Earnings before interest, taxation, depreciation and amortisation (EBITDA)
(2009: £36.0m)

£37.2m

Definition, method of calculation and analysis

Operating profit before depreciation, amortisation and government capital grants. The improvement in 2010 reflects the growth in operating profit.

EBITDA
(2009: 4.4%)

4.3%

Definition, method of calculation and analysis

Operating profit before depreciation, amortisation and government capital grants, as a percentage of revenue.

Free cash flow before minorities
(2009: £14.8m)

£9.9m

Definition, method of calculation and analysis

Cash flow before dividends and financing. The decrease in 2010 reflected the capital expenditure of £9.4m on the new facility in Denmark which will commence operations and generate profits from the second quarter of 2011 onwards. Excluding this once off expenditure, underlying free cash flow remained strong.

Gearing ratio
(2009: 0.6)

0.5

Definition, method of calculation and analysis

Year-end net debt divided by EBITDA. The gearing ratio improved in 2010, with the new financing for the capital expenditure on the Danish facility only partially offsetting the underlying debt reduction achieved.

Non-financial KPIs

Growth in volume of packed meat sales
(2009: 13.7%)

7.8%

Definition, method of calculation and analysis

Year on year volume growth, expressed as a percentage. The 2010 increase on a comparable 52 week basis was 9.5%.

Employee and labour agency costs (pence per kilogram)
(2009: 37.4)

39.3

Definition, method of calculation and analysis

Employment costs per kilogram of packed meat products sold. In 2010 there was a once off increase in labour costs caused by the temporary use of remote storage locations, whilst new robotic storage solutions were installed.

Customer service level
(2009: 99.4%)

98.9%

Definition, method of calculation and analysis

Packs of meat delivered as a percentage of the orders placed by our customers.

Number of product lines
(2009: 1,500)

1,600

Definition, method of calculation and analysis

Breadth of product range, in terms of number of stock keeping units supplied to customers.

Financial review continued

Treasury risk management policies

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

Foreign exchange rate movements

The presentational currency of the Group is sterling. The earnings of the Group's overseas subsidiaries are translated into sterling at the average exchange rates for the year and their assets and liabilities at the year-end closing rates. The timing of the repatriation of overseas profits to the UK and the repayment of any intra group loans due to UK holding companies have regard to actual and forecast exchange rates. Changes in relevant currency parities are monitored on a day-to-day basis. The Group has to date decided not to hedge its foreign exchange rate exposures, the impact of which has been broadly favourable overall over recent years, but this policy is kept under continuing review. The Group's overseas subsidiaries have natural hedges in place as they, for the most part, buy raw materials, employ people, source services, sell products and arrange funding in their local currencies. As a result the Group's exposure is principally limited to its equity investment in each overseas subsidiary.

Interest rate fluctuation risk

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

Customer credit and pricing risks

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

Liquidity risk

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

Going concern basis

The Group's bank borrowings are detailed in note 19 to the financial statements on page 54 and the principal banking facilities which support the Group's existing and contracted new business are committed, with no renewal required for four years. The Group is in full compliance with all its banking covenants. Future geographical expansion which is not yet contracted, and which is not built into internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities.

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

Forward looking statements

The Chairman's statement, the Chief Executive's summary, the Financial review and the Business review together with the other reports which together comprise the Enhanced Business Review on pages 4 to 17 contain forward looking statements that are inevitably subject to risk factors associated with, amongst other things, economic, political and business developments which may occur from time to time across the countries in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but all forward looking statements and forecasts involve risk and uncertainty, because they, self evidently, relate to events and depend on circumstances that will occur in the future.

On behalf of the Board

Nigel Majewski
Finance Director

30 March 2011

Business review

The Business review covers sequentially the key resources and relationships of the business, the main trends and factors likely to affect the future development of the Group's businesses and the principal risks and uncertainties which face our businesses, together with the measures we have adopted to minimise these risks.

The key resources and relationships of the business

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

Modern, well invested meat packing plants

The Group has well invested modern facilities and has invested over £110m over the last seven years to increase packing capacity, so as to be able to service its customers planned growth, whilst ensuring its packing facilities are kept at a state of the art level, both in terms of packing speeds, in order to progressively reduce unit costs and to continuously improve product quality, whilst reducing the environmental impact of the Group's operations.

Long-term partnerships with growing retail customers

Our relationships with our customers are critical to our continuing success. Whilst detailed arrangements with customers vary, Hilton has close long-term partnership relationships with its multiple retail customers (five of whom are subsidiary or associated companies of the Tesco or Ahold groups), which involve continuous close liaison, discussion and co-ordination, designed to ensure that the best possible outcomes are achieved for both our partners and their customers.

Growing reputation

Hilton's growing reputation, which is a key driver of its growth, has been built on its achieved levels of product quality and presentation, food safety and integrity, product innovation, service levels, health and safety, the way in which it treats its employees and suppliers, the manner in which it operates its facilities and its proven ability to adapt its business model to different customer and country requirements. All of these elements, which are achieved within a culture of safe working and concern for the environment, whilst operating within all applicable local and national regulations, are the responsibility of the operational management teams in each country, supported by specialist central expertise and assistance, as and when required.

Employee skill base

Our relationship with our employees is vital to our success and the Group continues to invest in developing its people. In addition to training and mentoring programmes, where additional skills are required, the strategies for retaining key staff include the provision of terms and conditions which are competitive in each locality, together with employer contributions to defined contribution pension schemes.

Wide and flexible meat supply base

Hilton has strong long-term trading relationships with its key meat suppliers and is over time steadily widening its supply base and increasing its procurement strength. The Group maintains a wide, diverse and flexible global meat supply base, so as to be able to provide sufficient volume of products on short lead times as ordered by its customers.

Committed banking facilities

The Group is cash generative and has committed banking facilities sufficient to support its existing business for the foreseeable future, taking into account available cash balances.

Focus on the environment, employees and community issues

We work with the local communities in which our facilities are located and respect our environmental obligations. Information in relation to these matters and issues are set out in the Corporate and Social Responsibility report on pages 31 to 33. None of these issues had a material impact on the development, performance or position of the Group's businesses in 2010.

The main trends and factors likely to affect the future development, performance and position of the Group's businesses

The Group's progressive geographical expansion

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

1994	UK – Huntingdon (Tesco)
2000	Holland – Zaandam (Albert Heijn)
2004	Ireland – Drogheda (Tesco)
2004	Sweden – Vasteras (ICA)
2006	Poland – Tychy (Ahold, Tesco and Rimi)

The Group is continuing to achieve growth in all these countries, driven by its retail partners' success, new product and packaging development and the extension of the range of meat products packed for its customers. The Group's sixth plant, in Denmark, is scheduled to start production in April 2011 for Coop Danmark A/S.

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

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

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

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

Business review continued

The principal risks and uncertainties facing the Group's businesses

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

Risk area	The Group's growth potential is dependent on the success of its customers and the future growth of their packed meat sales
Potential impact	All of the Group's products carry the brand labels of the customer to whom its products are supplied. The Group is therefore, inevitably, dependent on its customers' success in maintaining or improving consumer perception of their own brand names and their packed meat offerings.
Risk mitigation measures	The Group plays its full part in enhancing its customers brand values, through providing high quality, competitively priced products, high service levels and continuing product and packaging innovation. It recognises that quality assurance is integral to its customers' brands and works closely with its customers to ensure rigorous quality assurance standards are met. It is continuously measured by its customers across a very wide range of parameters, including delivery time, product specification and accuracy of documentation and targets high service levels across all these parameters. The Group works closely with its customers to identify continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage of the supply chain.
Risk area	The Group is dependent on a small number of customers who can exercise significant buying power and influence
Potential impact	The Group has a comparatively narrow, but recently extended, customer base, with sales to subsidiary or associated companies of the Tesco and Ahold groups currently comprising the majority of Hilton's revenue. The large retail chains are continuing to increase their market share of meat products in many countries, as retail customers move away from high street butchers towards one stop convenience shopping in large supermarkets. The continuation of this trend increases the buying power of the Group's customers which in turn increases their negotiating power with the Hilton Food Group, which could enable them to seek better terms over time.
Risk mitigation measures	The Group's investment in state of the art facilities, together with its management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively, which is particularly important in the continuing difficult economic environment. The Group's customer driven business model is focused solely on central meat packing and is unencumbered by the issues and conflicts faced by the majority of the Group's competitors who are also involved in significant upstream processing, including rearing, slaughtering and cutting. Hilton operates a decentralised entrepreneurial business structure, which enables it to work very closely and flexibly with its retail partner in each country, and achieves high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety and product integrity assurance.
Risk area	The Group's business is reliant on a small number of key personnel and its ability to manage growth successfully
Potential impact	The Group is critically dependent on the skills and experience of a small number of senior managers and, as the business develops and expands, the Group's success will inevitably depend on its ability to attract and retain the necessary calibre of personnel for key positions, both for managing its existing businesses and setting up new ones.

Risk mitigation measures	To continue to manage growth successfully, the Group will carefully manage its skill resources and continue to invest in on-the-job training and career development, together with the cost-effective management of quality, appropriately scalable information and control systems, whilst recruiting high quality new employees, as required, to facilitate the Group's ongoing growth. The continuing growth of Hilton's business, together with its growing reputation, facilitates the recruitment of more top class specialists with the key skill sets required both to support our existing individual country business units and manage the Group's future geographical expansion.
Risk area	The Group's business is dependent on maintaining a wide and flexible global meat supply base
Potential impact	The Group is reliant on its suppliers to provide sufficient volume of products in the very short lead times required by its customers. The Group sources certain of its meat requirements from outside the European Union. Tariffs, quotas or trade barriers imposed by countries where the Group procures meat, or which they may impose in the future, together with the progress of World Trade Organisation talks and other global trade developments, could materially affect the Group's international procurement ability.
Risk mitigation measures	The Group maintains a flexible global meat supply base, which is progressively widening as it expands, so as to have in place a range of options should any such eventualities occur.
Risk area	Outbreaks of disease and feed contamination affecting livestock and media concerns can impact the Group's sales
Potential impact	Reports in the public domain concerning the risks of consuming meat can cause consumer demand for meat to drop significantly in the short to medium term. A food scare similar to Bovine Spongiform Encephalopathy ("BSE") that took place in 1996 can affect public confidence in red meats.
Risk mitigation measures	The Group sources its meat from a trusted raw material supply base, all components of which meet stringent European and customer standards. The Group is subject to demanding standards which are independently monitored in every country and reliable product traceability and high welfare standards from the farm to the consumer are integral to the Group's business model. The Group ensures full traceability from source to packed product across all suppliers.
Risk area	The Group's business is dependent on the state of the economies and levels of consumer spending in the countries in which it operates
Potential impact	No business is immune to difficult economic climates and the consequently reduced levels of consumer spending seen recently across Europe.
Risk mitigation measures	With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made strong progress over the recent difficult economic period. It expects to be able to continue to make progress going forward, even if the current difficult economic conditions persist.

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

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

Not all the risks listed are within the Group's control and others may be unknown or currently considered immaterial, but could turn out to be material in the future. The risks set out in the above table, together with our risk mitigation strategies, should be considered in the context of the Group's risk management and internal control framework, details of which are set out in the Corporate Governance statement on pages 27 to 30 and the cautionary statement regarding forward looking statements in the Financial review on page 13.

Board of Directors

Executive Directors



Robert Watson OBE
Chief Executive

Robert joined the Hilton Food Group as Chief Executive in 2002 and has overseen the rapid growth of the Group over the last nine years. Prior to this, he worked for the Foyle Food Group, based in Northern Ireland of which he was a founder in 1977.



Nigel Majewski
Finance Director

Nigel joined the Hilton Food Group as Finance Director in 2006. Nigel is a Chartered Accountant who, following 11 years in senior finance roles with PepsiCo between 1995 and 2006 and prior to that five years meat industry experience in senior finance roles with Bernard Matthews plc, brings over 10 years' experience of operating overseas, in five different countries. Nigel is Chairman of the Risk Management Committee.



Colin Patten
Commercial Director

Colin joined the Hilton Food Group at its inception in 1994 as Commercial Director, responsible for procurement and business development, having worked previously in a similar role for the Group's UK subsidiary Hilton Meats (Retail) Limited and prior to that in meat wholesaling and packing.



Philip Heffer
UK and Ireland Business Director

Philip also joined the Hilton Food Group at its inception in 1994, as Managing Director of the Group's UK subsidiary Hilton Meats (Retail) Limited. In 2004 Philip was appointed to his current role as Managing Director for the Hilton Food Group's UK and Irish businesses. Prior to this, Philip held senior positions within the RWM Food Group.



Theo Bergman
European Business Director

Theo joined the Hilton Food Group in 2000 as Managing Director of the Group's Dutch subsidiary, Hilton Meats Zaandam BV. In 2003, Theo was appointed European Operations Director responsible for the start up of new operations in Europe. Prior to joining the Hilton Food Group, Theo held senior logistics and general management positions with Ahold between 1987 and 2000.

Non-Executive Directors



Sir David Naish DL
Non-Executive Chairman

Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Related Supply Committee

Sir David joined the Hilton Food Group in 2007, as a Non-Executive Director, after retiring from the Chairmanship of Arla Foods UK plc. Sir David is a past President of the National Farmers Union and is currently Chairman of his family farming businesses, a director of Wilson Insurance Broking Group Limited, Caunton Engineering Limited and Produce Investments plc and serves as a Trustee of several charities related principally to the agrifood industry and education. There is no impact on the Group in relation to these external commitments. Sir David was elected Non-Executive Chairman on 22 March 2010 and is Chairman of the Nomination and Related Party Supply Committees.

Gordon Summerfield CBE
Non-Executive Chairman until his death on 15 March 2010

Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Related Supply Committee

Gordon joined the Hilton Food Group in 2003, as Non-Executive Chairman, after more than 40 years in the food industry with Northern Foods plc and Unigate plc. Gordon was President of the Dairy Trade Federation between 1994 and 1997, a council member of the Institute of Grocery Distribution between 1991 and 1998 and Chairman of Food from Britain from 2000 to 2005. Gordon was Chairman of the Nomination Committee.



Chris Marsh
Non-Executive Director

Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Related Supply Committee

Chris joined the Hilton Food Group in 2007, as a Non-Executive Director. Chris is a corporate broker by background. He joined Phillips and Drew in 1968 and headed the Small Cap Corporate broking team at UBS Limited (London) from 1993 until his retirement in 1998. From 1999 to 2004 he was a member of a small corporate finance advisory team at the Benfield Group. Chris is currently Non-Executive Chairman of Framlington AIM VCT 2 plc and Webb Capital plc. Chris is Chairman of the Audit and Remuneration Committees and is the Senior Independent Director.



Colin Smith OBE
Non-Executive Director

Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Related Supply Committee

Colin joined the Hilton Food Group on 1 October 2010, as a Non-Executive Director. He has extensive experience in food retailing and distribution including 20 years at Safeway plc, where he was CEO from 1993 to 1999 and before that its Finance Director. He has previously held Chairmanships at food and agriculture businesses Assured Food Standards, Masstock Group and Blueheath Holdings plc. He is currently chairman of Poundland Group Holdings Limited and a Non-Executive Director of McBride plc. He is a Fellow of the Institute of Chartered Accountants.

Chris Marsh and Colin Smith are considered to be independent.

Directors' report

The Directors present their report and the audited consolidated financial statements for the 52 week period ended 2 January 2011.

Principal activities, business review and future outlook

The Group's activities comprise specialist retail meat packing for international food retailers in Europe.

The Companies Act 2006 requires the Company to set out, in this report, a fair review of the business of the Group during 2010, including an analysis of the position of the Group at the end of this year and a description of the principal risks and uncertainties facing the Group (which taken together are known as an "Enhanced Business Review").

The information which comprises the requirement for an Enhanced Business Review can be found in the Chairman's statement on pages 4 and 5, the Chief Executive's summary on pages 6 to 9, the Financial review on pages 10 to 13, the Business review on pages 14 to 17, the Corporate Governance statement on pages 27 to 30 and the Corporate and Social Responsibility report on pages 31 to 33. All the information detailed in these sections (including the KPI information set out on page 11) is incorporated by reference into this report and deemed to form part of it.

Results and dividends

The profit before taxation is £22.2m (2009: £20.1m). After a taxation charge of £5.3m (2009: £4.8m) and minority interests of £1.2m (2009: £1.2m) the net income for the period is £15.7m (2009: £14.0m).

An interim dividend of 2.8p per ordinary share was paid in December 2010. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts, of 7.4p per ordinary share totalling £5.2m, which, together with the interim dividend, represents 10.2p per ordinary share. Subject to approval at the Annual General Meeting, the final dividend will be paid on 1 July 2011 to members on the register at the close of business on 3 June 2011. Shares will be ex dividend on 1 June 2011.

Financial instruments

The Group's risk management objectives and policy are discussed in the treasury risk management policies section of the Financial review on page 12.

Directors and their interests

The Directors of the Company in office throughout 2010, together with their biographical details, are as set out on pages 18 and 19. Unless stated all the Directors served for the whole of the year under review. Gordon Summerfield died on 15 March 2010 and Colin Smith was appointed on 1 October 2010. There were no other changes in the composition of the Board. Directors are subject to re-election following the year in which they are appointed and one-third of the Board is subject to re-election every year. Colin Smith who was appointed during the year together with Nigel Majewski, Theo Bergman and Chris Marsh retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election. Details of their service contracts are set out on page 25.

The interests of the Directors, as defined by the Companies Act 2006, in the voting rights of the Company were as follows:

	On 2 January 2011 ordinary shares	On 3 January 2010 ordinary shares
R. Watson	3,159,850	3,159,167
C. Patten	4,640,500	4,640,500
P. Heffer	4,174,500	4,174,500
T. Bergman	328,333	328,333
N. Majewski	13,333	13,333
D. Naish	35,000	35,000
C. Marsh	30,000	30,000
G. Summerfield	–	146,666

All of the above interests are beneficial, with the exception of 1,130,917 shares held by various trusts of which R. Watson is a trustee. There have been no changes in the interests of Directors between 2 January 2011 and the date of this report.

Substantial shareholdings

As at the date of this report, the Company is aware or has been notified of the following interests, in addition to Directors' holdings above, of 3% or more of the voting rights of the Company:

	Number of ordinary shares	Percentage of issued share capital	Nature of holding
G. Heffer	4,174,500	5.99%	Direct
R. Heffer	4,174,500	5.99%	Direct
Irish Food Processors	4,096,700	5.88%	Indirect
AXA SA	3,493,233	5.01%	Indirect
F&C Asset Management	3,401,764	4.88%	Indirect
Artemis Investment Managers	2,688,670	3.86%	Indirect
Aviva Investors Global Solutions	2,449,412	3.51%	Indirect
JPMorgan Asset Management	2,124,900	3.05%	Indirect

Charitable and political donations

During the year the Group made charitable donations for the benefit of local communities in which the Group operates amounting to £27,902 (2009: £36,933). No donations for political purposes were made during the year (2009: £nil).

Employment policy and involvement

The Group's policy on employees remains one of adopting a very open management style, keeping employees informed of all matters affecting them as employees including key financial and economic factors affecting the Group's performance. This is achieved through meetings, newsletters and informal consultation at all levels. Employees are able to participate directly in the success of the business by contributing to the Group's sharesave scheme.

Employment policies are designed to provide equal opportunities irrespective of employee's nationality, sex, colour, ethnic or natural origin or marital status. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company can continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

The Group's recruitment practices involve, where possible, internal promotions. Where there is not a suitable internal candidate,

selection of suitable individuals for vacant positions is made using a combination of industry knowledge and contacts and the use of external recruitment agencies. All new senior employees including Directors are given tailored induction programmes. The Group's succession planning is designed to highlight any forthcoming vacancies well in advance.

The Group, in common with most commercial undertakings, employs external consultants, but, as their services could be contracted for with other similar parties, there are, in the opinion of the Board, no persons with contractual or other arrangements with the Group which are essential to its businesses.

Supplier payment policy

In the UK the Group follows the Better Payment Practice Code. The Code requires a company to agree the terms of payment with its suppliers, to ensure its suppliers are aware of those terms and to abide by them. The Group policy is also to apply the requirements of the Code in each of its European subsidiaries. At the end of 2010 the Group's trade creditors represented 45 days of purchases (2009: 41 days).

Share capital and control

The following information is given pursuant to Section 992 of the Companies Act 2006:

- The Company has one class of share being ordinary shares of 10p each which have no special rights. The holders of ordinary shares rank equally and are entitled to receive dividends and return of capital as declared and to vote at general meetings. With minor exceptions, there are no restrictions on transfers of ordinary shares.
- There are no restrictions on voting rights of ordinary shares.
- Rights over ordinary shares issued under employee share schemes are exercisable directly by the employees. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of its shares or on voting rights.
- The Company may appoint or remove a Director by ordinary resolution. Additionally the Board may appoint a Director who must retire from office at the following Annual General Meeting and if eligible then stand for re-election.
- The Directors have general powers to manage the business and affairs of the Company. Additionally the following specific authorities were passed as resolutions at the Company's Annual General Meeting held on 26 May 2010:
 - Directors have authority to purchase up to 10% of its own shares subject to certain conditions.
 - Directors have authority, within limits, to exercise the powers of the Company to allot shares and limited authority to disapply shareholder pre-emption rights.

Both these authorities expire on the earlier of the date of the next Annual General Meeting or 26 August 2011.

- The Company has significant customer long-term supply agreements which the customer may terminate in the event that ownership of the Company, following a takeover, passes to a third party which is not reasonably acceptable to that customer. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Share options

Details of all options granted but not exercised or lapsed are shown in note 23 to the financial statements on page 56.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Corporate governance

The Directors consider that, subject to the matter below, the Company has during 2010 complied with the requirements of the UK Combined Code of Corporate Governance issued by the Financial Reporting Council as revised in June 2008 (the "Combined Code"), taking into account the provisions for smaller companies.

Section A.3.2 of the Combined Code states that smaller companies should have at least two independent Non-Executive Directors. Following the death of Gordon Summerfield on 15 March 2010 and the subsequent appointment on 22 March 2010 of Sir David Naish as Chairman resulted in there being only one independent Non-Executive Director in breach of this provision. This situation continued until 1 October 2010 when Colin Smith was appointed restoring to two the number of independent Non-Executive Directors.

Hilton Food Group plc supports the highest standards of corporate governance, business integrity and professionalism in the way it conducts its activities. The Corporate Governance statement on pages 27 to 30 which includes information pursuant to DTR 7.2 and the Remuneration report on pages 24 to 26 detail how the Board applies the principles of good governance and best practice as set out in the Combined Code.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 18 and 19. Having made enquiries of fellow Directors and the Company's auditors, each of these Directors confirm that:

- to the best of each Director's knowledge and belief, there is no information relevant to the audit of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Annual Report and financial statements, and can also be found on the Company's website at www.hiltonfoodgroupplc.com/agm. Shareholders will be invited to approve the Remuneration report set out on pages 24 to 26.

By order of the Board

Neil George

Company Secretary

30 March 2011

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report, the Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website www.hiltonfoodgroupplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors whose names and functions are set out on pages 18 and 19, confirm that to the best of their knowledge and belief:

- the Group and parent company financial statements, prepared in accordance with applicable UK law and in conformity with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and
- the management reports (which comprise the Chairman's statement, the Chief Executive's summary, the Financial review, the Business review and the Directors' report on pages 4 to 21) include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 30 March 2011 and is signed on its behalf by:

Robert Watson OBE
Chief Executive

Nigel Majewski
Finance Director

Remuneration report

The Remuneration Committee presents its report which has been adopted by the Board and which shareholders will be asked to approve at the forthcoming Annual General Meeting.

In accordance with the requirements of the Companies Act 2006 and the Listing Rules of the UK Listing Authority the Group is required to prepare a Remuneration report for 2010 and to put that report to a shareholder vote at the forthcoming Annual General Meeting.

The Group's auditors are required to report on part of the Remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 2006. The report has accordingly been divided into separate sections for unaudited and audited information.

Unaudited information

The composition and role of the Remuneration Committee

The Remuneration Committee (the Committee) during 2010 initially comprised all the Non-Executive Directors, Sir David Naish (Chairman of the Committee), Gordon Summerfield and Chris Marsh. Following the death of Gordon Summerfield, Sir David Naish resigned as Chairman on 22 March 2010 and Chris Marsh was elected Chairman of the Committee. On 1 October 2010 Colin Smith was appointed a Non-Executive Director and joined the Committee. The Committee invites the Chief Executive, Robert Watson, to participate in its discussions, as appropriate, in an advisory capacity.

The Committee is responsible for determining the individual remuneration packages of the Company's Executive Directors. It is also responsible for considering management recommendations for remuneration and employment terms for the Group's senior staff including arrangements for bonus payments and the grant of share options.

The terms of reference of the Committee are detailed on the Company's website, at www.hiltonfoodgroupplc.com.

Remuneration policy

The Committee considers that the Group's remuneration policies should encourage a strong performance culture and emphasise long-term shareholder value creation, with clear links between executive performance targets and the businesses' performance and strategy. The Committee also believes that there should be a clear reward structure which enables the Group to attract, retain and motivate its best talents who have and will continue to be pivotal to Hilton's future progress by:

- positioning base salaries with regard to the performance and responsibilities of the individual concerned, having regard to rates paid for similar roles in comparable companies and the pay structure throughout the Group; and
- operating annual and longer term incentive arrangements which ensure that a substantial proportion of senior employee's remuneration is subject to performance and aligned with the interests of shareholders. A significant proportion of senior employee's remuneration packages comprise performance related elements, including the grant of executive share options and non-discretionary target driven annual bonus schemes. In 2010 performance related elements comprised 29% of the remuneration of the Executive Directors.

The Committee has taken independent advice on these matters from Hewitt New Bridge Street who were appointed by the Committee and who provide no other services to the Company. Reviews undertaken to date have included reviews of Executive Director remuneration packages and pension arrangements in comparable businesses.

Remuneration packages

When applying these principles to the determination of the remuneration of Executive Directors, the Committee gives consideration to the following components of their total remuneration package:

Base salary and benefits

Base salary is a fixed cash sum payable monthly in arrears, with salaries reviewed annually on 1 January in each year. With effect from 1 January 2011 base salaries were increased by 4.5% which is slightly above the average percentage salary increase across the Group generally. Benefits in kind comprise principally the provision of private healthcare and a company car and fuel.

Annual bonus

The Committee operated a cash bonus scheme for Executive Directors for 2010. This bonus scheme, which does not contain any discretionary elements, was based on achieving the Group budgeted net income target. In setting the targets for the scheme, the Committee considered both the Group's annual budget and the need for continued progress to be achieved by the Group.

For 2010, the target achievement and maximum award levels for target over-achievement were 40% and 80% of base salary, respectively. 40% was paid for achieving the budgeted level of net income, plus, subject to a cap of 40%, a further 2% for every 1% by which this target was over achieved. A further 10% bonus was paid in respect of an actual over-achievement of 5%. A similar bonus scheme will operate in 2011, using the same performance metric and with the same level of target and maximum bonus potential.

The bonus arrangements detailed above were applied to all Executive Directors, as they each contribute individually to the management and development of each of the Group's businesses in six European countries. In the opinion of the Committee the performance of the Executive Directors during 2010 was strong. The profitability measure on which the bonus payments are based is not dependent on any future forecast outcomes, in relation to matters which require judgemental quantification at the balance sheet date in relation to their likely eventual outcomes, so it is considered that there is no requirement for any deferred or retention element to be incorporated into such bonus schemes.

Executive share options

Grants of executive share options were made in May 2008, May 2009 and May 2010 following the publication of the Group's Annual Report and Accounts for 2007, 2008 and 2009 respectively. The maximum face value of options granted under the scheme is 100% of basic salary and awards were made to the Executive Directors at that level in 2008, 2009 and 2010. These executive share options are exercisable after three years, subject to the growth in the Group's normalised earnings per share equalling or exceeding the growth in the UK Retail Price Index by an average of 3% per year (9.3% over 3 years).

Normalised earnings per share was chosen as it requires a substantial improvement in the underlying financial performance of the Group, is directly aligned to the Group's strategy, can be externally verified and is easy to understand and communicate.

The scheme allows for options to be satisfied using new issue shares. There is a 5% of share capital in 10 years limit for discretionary schemes as well as a 10% in 10 years limit in relation to all incentive plans (including all-employee schemes such as the sharesave scheme).

It is the Committee's intention to consider a move from Executive Share Options to Long Term Incentive Plans (LTIP's) with effect from 2012. A request for the approval for any new LTIP scheme will be put to the Company's 2012 Annual General Meeting.

All employee sharesave scheme

The Group operates a sharesave scheme approved by HM Revenue and Customs which is open to all eligible employees in the five countries in which the Group currently operates including the Executive Directors. Under this scheme employees make regular savings for a three year period, following which they have six months to exercise the options granted. No performance conditions are attached to options granted under the scheme, as it is an all employee scheme. The Scheme is administered by Computershare.

Pension arrangements

Employer contributions are made to Executive Directors' 'money purchase' pension schemes at the rates set out in their service contracts, which are up to 7% of basic salary for R. Watson, C. Patten, P. Heffer and N. Majewski and 20% for T. Bergman. No pension contributions are made in respect of Non-Executive Directors.

Directors' service contracts

Executive Directors

All Executive Directors have service agreements without expiry dates, which commenced on 24 April 2007 and can be terminated by the giving of 12 months' notice by either party.

Non-Executive Directors

D. Naish and C. Marsh entered into a letter of appointment with the Company dated 24 April 2007 for an initial period of three years and on 22 March 2010 their appointments were extended for a further three years. C. Smith entered into a letter of appointment with the Company with effect from 1 October 2010 for an initial period of three years. All Non-Executive Directors' appointments are terminable upon six months' notice by either party.

The Non-Executive Directors receive the fees set out in their letters of appointment. The remuneration of the Non-Executive Directors is determined by the Non-Executive Chairman and the Executive Directors and reflects the time, commitment and responsibility of their roles. The Non-Executive Chairman's remuneration is determined by the Executive Directors.

Termination payments

On termination Executive Directors are entitled to receive a lump sum payment in lieu of notice, subject to a maximum of 12 months, equal to their basic salary plus any accrued holiday pay. However in circumstances including breach, criminal offence, misconduct or bankruptcy there is no such entitlement to payment in lieu of notice. Non-Executive Directors are not entitled to any compensation for loss of office.

No termination payments were made during the year to any of the Executive or Non-Executive Directors.

Performance graph

The graph below shows the TSR performance (share price movements plus reinvested dividends) of the Company against the FTSE Small Cap Index from flotation on 17 May 2007 to the end of 2010. The FTSE Small Cap Index is, in the opinion of the Directors, the most appropriate index against which the TSR of the Company should be measured.



Audited information

The following information has been audited by the Company's auditors, PricewaterhouseCoopers LLP, as required by the Companies Act 2006.

Directors' remuneration

The remuneration of Directors for the year was as follows:

	2010 £'000	2009 £'000
Fees and basic salary	1,526	1,502
Bonuses	689	924
Benefits in kind	145	148
	2,360	2,574
Pension contributions	136	133
	2,496	2,707

Remuneration report continued

The remuneration of individual Directors, including pension contributions, is set out below.

	Directors' salaries/fees £'000	Annual bonus £'000	Benefits in kind £'000	Total 2010 £'000	Total 2009 £'000	Pension 2010 £'000	Pension 2009 £'000
Executive Directors							
R. Watson	321	162	33	516	562	22	22
C. Patten	257	129	37	423	459	18	18
P. Heffer	257	129	32	418	455	18	18
T. Bergman	278	140	20	438	511	74	58
N. Majewski	257	129	23	409	445	4	17
Non-Executive Directors							
D. Naish	70	–	–	70	35	–	–
C. Marsh	43	–	–	43	35	–	–
C. Smith	10	–	–	10	–	–	–
G. Summerfield	33	–	–	33	72	–	–
Total	1,526	689	145	2,360	2,574	136	133

Share option schemes

Options over Hilton Food Group plc ordinary shares granted under the executive share option and sharesave schemes held by Directors were as follows:

Director	At 3 January 2010	Granted	At 2 January 2011	Exercise price (pence)	Earliest exercise date	Latest exercise date	Notes
R. Watson	150,376	–	150,376	199.50	12.05.11	12.05.18	1
	180,258	–	180,258	174.75	01.05.12	01.05.19	1
	–	130,610	130,610	246.00	10.05.13	10.05.20	1
	6,531	–	6,531	147.00	19.12.11	19.06.12	2
C. Patten	120,301	–	120,301	199.50	12.05.11	12.05.18	1
	144,206	–	144,206	174.75	01.05.12	01.05.19	1
	–	104,488	104,488	246.00	10.05.13	10.05.20	1
	6,531	–	6,531	147.00	19.12.11	19.06.12	2
P. Heffer	120,301	–	120,301	199.50	12.05.11	12.05.18	1
	144,206	–	144,206	174.75	01.05.12	01.05.19	1
	–	104,488	104,488	246.00	10.05.13	10.05.20	1
	6,531	–	6,531	147.00	19.12.11	19.06.12	2
T. Bergman	120,301	–	120,301	199.50	12.05.11	12.05.18	1
	154,751	–	154,751	174.75	01.05.12	01.05.19	1
	–	113,610	113,610	246.00	10.05.13	10.05.20	1
	6,531	–	6,531	147.00	19.12.11	19.06.12	2
N. Majewski	120,301	–	120,301	199.50	12.05.11	12.05.18	1
	144,206	–	144,206	174.75	01.05.12	01.05.19	1
	–	104,488	104,488	246.00	10.05.13	10.05.20	1
	6,531	–	6,531	147.00	19.12.11	19.06.12	2

1. Executive share options are subject to a performance condition of growth in the Companies normalised Earnings per share equalling or exceeding the growth in the UK Retail Prices Index by an average of 3% per annum (9.3% over three years), for the options to be exercisable.

2. Options granted under the sharesave scheme. As this is an all employee scheme, no performance conditions are attached.

The closing market share price on 31 December 2010 was 258.5p and the high and low closing market share prices during 2010 were 284.0p and 198.0p, respectively.

On behalf of the Board

Chris Marsh

Chairman of the Remuneration Committee

30 March 2011

Corporate Governance statement

The Combined Code

The Board has prepared this report with reference to the UK Combined Code of Corporate Governance issued by the Financial Reporting Council as revised in June 2008 (the "Combined Code"). The Directors consider that, subject to the matter below, the Company has during 2010 complied with the nine requirements of the Combined Code, taking into account the provisions for smaller companies. The provisions of the Combined Code can be obtained from www.frc.org.uk/corporate/combinedcode.cfm.

Section A.3.2 of the Combined Code states that smaller companies should have at least two independent Non-Executive Directors. Following the death of Gordon Summerfield on 15 March 2010 and the subsequent appointment on 22 March 2010 of Sir David Naish as Chairman resulted in there being only one independent Non-Executive Director in breach of this provision. This situation continued until 1 October 2010 when Colin Smith was appointed restoring to two the number of independent Non-Executive Directors.

This statement and the Remuneration report on pages 24 to 26, detail how the Board applies the principles of good governance and best practice as set out in the Combined Code.

The Board

Membership

At the date of this report the Board consists of five Executive Directors and three Non-Executive Directors whose names, responsibilities, brief biographies and membership of Board Committees are set out on pages 18 and 19. The Directors bring strong judgement and expertise to the Board's deliberations and the Board is of sufficient size and diversity to achieve the balance of skills and experience appropriate for the requirements of the business.

Non-Executive Directors

The Non-Executive Directors include the Non-Executive Chairman and the Senior Independent Director. With the exception of the Non-Executive Chairman, who is presumed under the Code not to be independent following his appointment, the Board considers the Non-Executive Directors to be independent. The Non-Executive Directors do not participate in any of the Group's pension arrangements or in any of the Group's bonus or share option schemes. There is a clear written division of responsibilities between the Non-Executive Chairman and the Chief Executive which has been agreed by the Board.

Senior Independent Director

Chris Marsh, the Senior Independent Director, is available to shareholders as an alternative to the Non-Executive Chairman, Chief Executive and Finance Director. He ensures that he is available to meet shareholders, as required, and reports any relevant findings to the Board.

Rotation of Directors

The Company's Articles of Association provide that one-third of the Directors retire by rotation at each Annual General Meeting and that all new Directors are subject to election by shareholders at the first opportunity following their appointment. Colin Smith who was appointed during the year together with Nigel Majewski, Theo Bergman and Chris Marsh retire in accordance with the Articles of Association at the forthcoming Annual General Meeting and, being eligible, each offers himself for re-election.

Performance evaluation

The Non-Executive Chairman leads a formal internal performance evaluation of the Board and its standing Committees and meets with the Non-Executive Directors at least once a year to convey his conclusions. The evaluation process involves each Director completing a detailed written questionnaire which also provides Directors with the opportunity to comment on any issues not directly covered by the questionnaire. The responses are analysed and considered by the Board who have concluded that this evaluation demonstrates that the Directors, the Board and its standing Committees continue to perform effectively. The Non-Executive Directors met once during the year without the Non-Executive Chairman present in order to evaluate his performance.

Board responsibilities

The Board is collectively responsible for promoting the success of the Group, within a framework of prudent and effective controls that enable risk to be assessed and appropriately managed. It is responsible for setting and approving the strategy and key policies of the Group and monitoring the progress towards achieving these objectives. The Board aims to enhance shareholder value by providing entrepreneurial leadership for the Group, whilst simultaneously ensuring the appropriate framework of checks and balances are maintained in place.

The Board has specific powers reserved to it contained in a schedule of matters reserved for decision by the Board which include:

- acquisitions and disposals;
- major trading agreements;
- major capital expenditure projects;
- dividends;
- treasury and risk management policies;
- approval of budgets, half yearly and annual accounts and interim management statements; and
- the giving of any guarantees or letters of comfort.

The Board meets not less than eight times a year to direct and control the strategy and operating performance of the Group. The Board also has responsibility for setting policy and monitoring from time to time such matters as financial and risk control, health and safety policy, environmental issues and management succession and planning. The Board has delegated to the Chief Executive and the Executive Directors responsibility for the execution of the agreed strategy and budget and the day-to-day management of the Group's operations. Day-to-day decisions in relation to procurement and supply chain management, factory operations and customer liaison are delegated to the senior management teams at each operational site.

Directors' conflicts of interest

Under the Companies Act 2006, the Group's Directors have an obligation to avoid any situation where they have a conflict of interests. The Group has in place procedures that require all Directors to notify the Group of any conflicts of interest and, for any such conflicts of interest to be authorised by non-interested Directors, provided the Company's articles allow for this. During the current financial year the Group were not advised of nor did the Group identify any such conflicts of interest.

Corporate Governance statement continued

The Board (continued)

Information and support provided to Board members

Members of the Board and its Committees are given appropriate documentation in advance of each Board and Committee meeting. For regular Board meetings these include a detailed period report on current and forecast trading, with comparisons against both budget and prior years. For all meetings appropriate explanatory papers are circulated well in advance on matters which the Board or Committee will be required to approve or provide responses.

The Board operates both formally through Board and Committee meetings and informally through regular contact between Directors. To assist them in carrying out their responsibilities the Directors have, in addition to full and timely access to all relevant information from management in advance of Board meetings, the right to obtain independent professional advice at the Company's expense and the advice and services of the Company Secretary to enable them to perform their duties as Directors. The Company Secretary is responsible to the Board, through the Chairman, for all governance matters. The appointment and removal of the Company Secretary is determined by the Board as a whole.

Meeting attendance

The following table sets out the Board and Committee meeting attendance by Board members, including the maximum number of meetings which could have been attended.

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Related Supply Committee	Risk Management Committee
Number of meetings	11	4	4	2	4	8
R. Watson	11					
C. Patten	9					
P. Heffer	10					
T. Bergman	10					
N. Majewski	11	4				7
D. Naish	11	4	4	2	4	
C. Marsh	11	4	4	2	4	
C. Smith	3	1	2		1	
G. Summerfield	2	1	1		1	

Committees of the Board

The standing committees of the Board include the Nomination, Remuneration, Audit, Related Supply and Risk Management Committees. The Nomination, Remuneration and Audit Committees have formal terms of reference, which can be found on the Company's website at www.hiltonfoodgroupplc.com.

The work of these five Committees, including a summary of their terms of reference, is summarised below and in the Remuneration report on pages 24 to 26.

Nomination Committee

The Nomination Committee leads the process for Board appointments by making recommendations to the Board ensuring an appropriate balance of skills, knowledge and experience. The Committee meets, as required, in order to propose to the Board new appointments of Executive and Non-Executive Directors.

During 2010 the Nomination Committee comprised all the Non-Executive Directors initially chaired by Gordon Summerfield. On 22 March 2010 Sir David Naish was elected chairman of the Committee. The Committee met twice in the year during which a new Non-Executive Director was appointed. Potential candidates were identified through internal research and advice from external advisors and following careful consideration a shortlist of potential candidates were interviewed. A recommendation was made to the Board for its consideration.

The Chairman of the Nomination Committee will be available at the Annual General Meeting to respond to any shareholder questions.

Remuneration Committee

During 2010 the Remuneration Committee, which was initially chaired by Sir David Naish and meets at least three times a year, comprised all the Non-Executive Directors. On 22 March 2010 Sir David Naish resigned as Chairman and Chris Marsh was elected Chairman of the Committee. No Director attends any part of a meeting at which his own remuneration is discussed. The Non-Executive Chairman and the Executive Directors determine the remuneration of the Non-Executive Directors and the remuneration of the Non-Executive Chairman is determined by the Executive Directors. The Committee determines, within a framework agreed by the Board, Executive Director's individual remuneration packages and terms and conditions of service and determines the performance conditions for bonus and incentive schemes and the issue of executive share options. It also recommends and monitors the level and structure of senior management remuneration immediately below Board level. The Committee has access to advice from the Company Secretary and such external surveys of remuneration in comparable companies as it requires.

The Remuneration report on pages 24 to 26 provides fuller details of the Company's executive remuneration policy and practice and of the working of the Committee. The Chairman of the Remuneration Committee will be available at the Annual General Meeting to respond to any shareholder questions.

Committees of the Board (continued)

Audit Committee

The Audit Committee plays a key role in reviewing the Group's financial controls and reporting. It manages the Group's relationships with internal and external auditors and assists with the Group risk financial control procedures and regulatory compliance.

The Committee is chaired by Chris Marsh, who has significant and relevant current financial experience. The Committee, which meets at least three times a year, comprised during 2010 all the Non-Executive Directors, who between them have a wide experience of industry and commerce.

The Finance Director and the Group Financial Controller, together with the external auditors and the Group Internal Auditor, attend the Audit Committee meetings, as appropriate. The external auditors and the Group Internal Auditor have the opportunity for direct access to the Committee, without the Executive Directors being present.

The Committee reviews the Group's accounting policies and internal accounting and control reports, together with the results of the work undertaken by Hilton's internal audit function and all reports from the external auditors. The Committee has overall responsibility for monitoring the integrity of financial statements and related announcements, together with all aspects of internal control.

The Committee reviews the Group's interim and full year financial statements, the scope, results and effectiveness of the work of the internal audit function, the internal and external audit plans, reports from the internal and external auditors and to monitor the external auditor's independence. The Committee is responsible for recommending the appointment or removal of the external auditors and for monitoring their effectiveness, remuneration and terms of engagement, including the nature and level of non-audit services. The Board reviews annually the Group's systems of internal control on the basis of a report by the Audit Committee.

A whistle-blowing policy is in place in accordance with which staff can, in confidence, raise any concerns about any actual or potential improprieties in relation to matters of financial reporting or any other aspect of the Group's businesses. The Chairman of the Audit Committee will be available at the Annual General Meeting to respond to any shareholder questions.

Related Supply Committee

The Related Supply Committee during 2010 comprised all the Non-Executive Directors and is chaired by Sir David Naish.

The Committee's principal responsibility is to ensure that all commercial arrangements between the Group and shareholder owned suppliers (comprising Hilton Meats (International) Limited and RWM Food Group Limited and any of these two companies' subsidiaries) are conducted on a strictly arm's length basis and in accordance with the terms of the supply agreements agreed between the Group and those parties. This avoids any situations which could give rise to a conflict of interests for some Directors, in line with the Group's conflict authorisations procedures.

The Committee monitors the quantity and terms of orders placed with shareholder suppliers and the shareholders suppliers' performance across a range of key performance indicators and is authorised to seek any information it requires, whether from employees of the Group or externally. The Committee reports to the Board on issues, recommendations and decisions it has made.

The Chairman of the Related Supply Committee will be available at the Annual General Meeting to respond to any shareholder questions.

Risk Management Committee

The Risk Management Committee is chaired by the Finance Director, Nigel Majewski and comprises the five operating subsidiary company operations managers and the Group Internal Auditor, together with other personnel throughout the Group as required. The Committee meets regularly and at least six times a year. Its principal functions are to raise the level of management awareness of and accountability for business risks faced, embed risk management into the Group culture, provide a mechanism for risk management issues to be discussed and disseminated and to provide advice on and co-ordinate risk management strategies across the Group ensuring they receive the appropriate level of sponsorship and support.

The Committee is authorised to seek any information it requires from Group employees as well as any external legal or professional advice and reports to the Board following each meeting. The Chairman of the Risk Management Committee will be available at the Annual General Meeting to respond to any shareholder questions.

Information and support provided to Committee members

The Committees are provided with sufficient resources to undertake their duties through access to the Company Secretary and the ability to obtain such independent professional advice, at the Company's expense, as they deem necessary.

Shareholder communications

The Board promotes open communication with shareholders. The Chief Executive and Finance Director meet regularly and have dialogue with institutional shareholders both to discuss the Group's performance and prospects and to develop an understanding of their views which are relayed back to the Board. The Board's current assessment of the Group's position and prospects are set out in the Chairman's statement, the Chief Executive's summary, the Financial review and the Business review on pages 4 to 17. Twice a year general presentations are given to analysts covering the annual and half year results and other reports and forecasts, together with relevant articles in the financial press, are circulated to the Board.

The other Executive Directors are available to meet the Company's major shareholders if required and the Senior Independent Director is available to listen to the views of shareholders, should they have concerns which have not been previously resolved or which it was inappropriate to voice at prior meetings. All shareholders have the opportunity to ask questions at the Company's AGM, which all Directors and the Chairmen of every Board Committee attend. In addition the Group's website containing published information and press releases can be found at www.hiltonfoodgroupplc.com.

Corporate Governance statement continued

Internal control

The Board of Directors has overall responsibility for the Group's systems of internal control including financial, operational and compliance controls and risk management which operate to safeguard the shareholders' investments and the Group's assets and for reviewing their continuing effectiveness. Such an internal control system can only provide reasonable and not absolute assurance against material misstatement or loss as it is designed to manage rather than eliminate risk and failure to meet business objectives.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure is designed to plan, execute, monitor and control the Group's objectives effectively and ensure internal control becomes integral to all the Group's operations. The Board confirms that the Group's internal risk based control systems have been fully operative up to the date of the Annual Report being approved, key ongoing processes and features of which are set out below:

- appropriate mechanisms to identify and evaluate business risk;
- a Group internal audit function which is involved in the review and testing of the internal control systems and of key risks across the Group in accordance with an annual programme agreed with the Audit Committee;
- a strong control environment;
- an information and communication process; and
- a monitoring system and regular Board reviews for effectiveness.

The Group's planning and financial reporting procedures include detailed budgets and a three year strategic plan which are approved by the Board. Periodic management accounts report performance compared to the budget and additionally forecasts are updated through the year. These management accounts together with half-yearly and annual accounts produced by the Group's subsidiary companies are reviewed together with the methodology used for consolidating these into the periodical, half-yearly and annual accounts. All financial information published by the Group is approved by the Board and Audit Committee.

The Finance Director and Group Financial Controller are responsible for overseeing the Group's internal controls. The management of the Group's businesses have identified the key business risks within their operations, considered their financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Board has reviewed a summary of these findings and this, together with its direct involvement in the strategies of the business, investment appraisal and budgeting processes, has enabled the Board to report on the effectiveness of the Group's internal control systems, which comply with the Turnbull Guidance.

Auditor independence

The Board is satisfied that PricewaterhouseCoopers LLP has adequate policies, processes and safeguards in place, including partner rotation designed to ensure that auditor objectivity and independence is maintained. The Company meets its obligations for maintaining the appropriate relationship with the external auditors through the Audit Committee whose terms of reference include an obligation to consider and keep under continuing review the degree of work undertaken by the external auditors, other than the statutory audit, so as to ensure such objectivity and independence is safeguarded. Details of fees for non-audit work are set out in note 6 on page 48 of the financial statements.

By order of the Board

Neil George
Company Secretary
30 March 2011

Corporate and Social Responsibility report

Taking care of our stakeholders and the environment

Hilton Food Group recognises that it has social, ethical and environmental responsibilities arising from its operations and is committed to the welfare of its employees, customers, suppliers and the communities in which it operates. The Group is committed to working with customers, suppliers, local communities and competitors in an ethical, open and honest manner to produce excellent products in a responsible and sustainable manner.

Two members of the Board, Philip Heffer and Theo Bergman have been assigned responsibility for environmental matters and health and safety across all the Group's sites. The philosophies which underpin our policies for the Environment, Regulatory Compliance, Health and Safety, Product Quality and Integrity and Ethical Conduct are summarised below.

Food safety, integrity and quality from farmer to fork

Hilton strives to ensure that consumers receive safe and consistently high quality products sold in our retail partners' stores. We source primal meat cuts from professional abattoir suppliers throughout the EU and retail pack to our customers' stringent requirements in an efficient and cost effective way so that consumers receive consistent high quality products in our customers' retail outlets. Our products are governed by EU legislation and food safety standards throughout the meat supply chain and are controlled by the internationally recognised HACCP System (hazard analysis critical control point technique) which seeks to prevent, eliminate or reduce to acceptable levels food safety risks throughout the production process.

Meat sourcing

Having no abattoir operations of its own Hilton is able to source its primal meat from the most forward thinking abattoir companies using science and technology to achieve consistent quality. We do not restrict our procurement to large suppliers but have the flexibility to work with smaller operations where unique standards of quality have been developed.

Consumers wish to know the country of origin of their meat and in many countries this is a legal requirement. Hilton's traceability systems always ensure that this is the case and, in consultation with our retail customers, the procurement policy is set to meet consumer demands for provenance, quality, and price. The majority of our fresh meat is sourced from within the EU. Additionally we purchase lamb from New Zealand and beef from South America. Hilton is able to maximise the opportunity of procurement of high quality pasture fed beef and lamb from Ireland and the UK, and pork from the major producers in Denmark, Netherlands and Germany. However where quality and price are beneficial and partnership opportunities arise we may look to extend procurement to South America and other major meat producing countries throughout the world.

Producer standards

Hilton works to ensure that farmers understand the requirements of consumers and retailers from the meat that their animals yield. High standards of animal welfare are expected and we ensure that animals are reared and handled in a humane way. Animals that are stressed produce poor quality meat and faster microbiological spoilage. Animal nutrition is controlled by farmers to give the desired meat quality and efficient livestock weight gain. Emphasis is placed on the cleanliness of animals presented to Hilton's suppliers for slaughter as it is well established in science that this has a direct bearing on food safety and is fundamental in supplier pathogen reduction programmes. The recent dioxin incident in Germany emphasised the need to maintain a wide supply base so that business can be maintained by procurement from unaffected areas. Hilton was unaffected by that incident but we understand customers' concerns regarding risk of contamination.

Abattoir standards

Animals are stunned prior to slaughter and carcasses are dressed and chilled to ensure microbe contamination is minimised and the pH of the meat drops according to best scientific practice. Meat is matured and boned according to our customers' requirements and delivered to Hilton's retail packing sites in refrigerated transport.

Meat suppliers are audited against the Hilton Food Group standard by a specialist third party audit provider and graded. The Group standard focuses on site standards, welfare in transport and pre-slaughter, slaughter standards, control of contamination, post-slaughter cooling, boning operation, packing hall standards, traceability, cleaning and disinfection. Sustainable corrective action plans are agreed. Working in this way enables Hilton to develop long term trading relationships with suppliers.

Retail packing at Hilton

Each delivery of meat from our supply base is sampled and assessed for microbiological quality and adherence to quality specification.

Hilton Food Group prides itself on having 'state of the art' modern food factories that constantly strive for best practice in food manufacturing facilities. Specialised meat processing and packing equipment is installed at all sites with an increasing level of automation and robotics. All critical areas are closely temperature controlled with central monitoring and alarm procedures if temperatures deviate from the required specification. Highly specialised hygiene teams deep clean all production equipment and factory areas each production day and standards are monitored by routine hygiene swabbing checks. This will ensure that Hilton packed meat will retain its quality up to the end of the designated shelf life and fulfil customer and consumer expectations. Entry and exit from production facilities for all operatives, managers and visitors requires the wearing of personnel protective clothing and passing through a barrier protected hand washing and sanitising area. The effectiveness of the hand cleaning systems is routinely verified with hand swabbing checks.

Corporate and Social Responsibility report continued

Trained production teams maintain customer quality specifications with support from highly qualified and experienced technical and quality assurance management. As a minimum all Hilton Food Group sites maintain third party accredited certification to the British Retail Consortium Standard although the Group's best practice quality system is under continuous review. There is constant scrutiny by our retail customers over our products sold under their own label brands who make visits, in some cases unannounced, to the Group sites. We welcome this level of attention and work in partnership with our customers to meet their expectations.

Testing in onsite laboratories or third party accredited facilities verifies product specifications. Working with our customers' development teams, the new product development teams work to innovate and develop new product ranges using the excellent kitchen facilities available on each site.

Hilton technical managers meet every six months to share experiences, develop best practice for the Hilton Food Group, and agree innovation, process and systems development. We maintain good links with many centres of excellence in science and technology such as Bristol University and Campden BRI and also attend the International Conference of Meat Science and Technology each year to maintain the link between academia and our industry. Our graduate recruitment programme is progressing well with some excellent potential managers in the process of training both at Hilton sites and on the meat science MSc course at Bristol University.

Environment

The Group takes all practicable steps to manage carefully its impact on the natural environment. We believe improvements to our environmental performance can make a difference to society and are committed to assessing the impacts of our operations on land, water, air and biodiversity and to managing our waste, in all its forms, by reusing or recycling it, where practicable.

In the context of the total carbon footprint of retail packed meat the proportion which can be influenced by Group's packing activity is very small indeed as the Group is not involved in the breeding, growing and slaughtering of animals and the packaging formats used for its products are selected by our customers. The Group is nevertheless committed, working closely with its customers, to minimising its environmental impact.

Regulatory compliance

The Group is in full compliance with all environmental regulations, permits and consent limits which apply to each of its packing plants in each country of operation and views such compliance as a high priority, looking to make continuing improvements with respect to the environment in all its operations whilst ensuring that we manage our environmental performance in accordance with evolving legal and regulatory requirements and international standards.

Carbon footprint

The Group's carbon footprint has been estimated via the Carbon Trust's carbon footprint calculator using emissions factors published by Defra. Hilton recognises the environmental impact of business travel and has installed video conferencing equipment across all its sites as an alternative where practicable.

	Tonnes of CO ₂ per tonne of product
2010	0.13

Energy usage

Our processing and packing operations consume electricity, gas, water and industrial gases at all our sites and our management teams work to identify areas for further efficiency gains in terms of energy usage. The Group invests heavily in maintaining state of the art high speed packing facilities which progressively reduce energy costs per unit packed. Over time the development of packing technology means that any given volume of meat can be packed with fewer high speed lines. Performance on energy usage is shown below:

	Electricity and gas	Water	Liquid CO ₂ and O ₂
2010 – £'000	3,060	260	979
2009 – £'000	3,603	240	636
2010 – Cost per kilogramme (pence)	1.6	0.13	0.50
2009 – Cost per kilogramme (pence)	2.0	0.13	0.35

Costs per kilogramme shown above are per kilogram of packed meat sold. Costs per unit of energy consumed will always be subject to external factors entirely beyond the Group's control. Electricity costs were reduced in 2010 by a rebate received in respect of prior years.

Waste

A degree of wastage is unavoidable in our businesses, as we have to ensure that our products continually meet stringent standards for quality and presentation. We work actively to reduce our usage of materials and the reduction of product and packaging waste. The yield losses incurred in processing and packing meat and packaging wastage are monitored throughout each day across the product range, at every Hilton site. Performance on meat yields, being the percentage by which the weight of meat purchased as raw material compares with that incorporated in finished packed meat products, is minimised by, where possible, using off-cuts in mince, burgers and other part processed meat products and by ensuring that meat purchased meets tight specifications.

Packaging

Packaging is useful as it protects our products from going to waste and this benefit offsets the environmental impact of the materials and energy used in its manufacture. Hilton is committed with its retail partners to reducing packaging through use of lightweight and recyclable materials from sustainable sources.

Workplace

Health and safety

One of Hilton's top priorities is to achieve continual improvements in health and safety. The Group requires all its subsidiaries to achieve high health and safety standards within their individual operations. All subsidiaries conduct regular formal health and safety reviews. Managers and employees review policies, processes and procedures in order to ensure that risks are properly assessed, with appropriate actions taken in order to protect the safety of employees.

We monitor and review all incidents and accidents in the workplace so that we can take appropriate action to improve working conditions whilst remaining focused on reducing both the absolute number of accidents and the number of reportable accidents. Formal reporting procedures are in place at every site so that the Group can monitor safety performance at a local level. There is a full time safety officer at each site who monitors the key measures for safety performance which include the number of reportable and non-reportable accidents and the number of working days lost through injury, together with short and long-term sickness levels, key statistics in relation to which for 2010 are shown below:

	Average number of employees	Reportable accidents	Recorded accidents per 100,000 hours worked	Sickness rate (%)
2010	1,909	30	9.0	5.6%
2009	1,645	12	6.8	5.7%

Our people

We recognise that driving our future growth and development will continue to depend on our ability to attract, grow, train and retain the very best managers and staff and to build progressively stronger teams at each location. We believe that a key to our future success lies in the promotion of properly trained, knowledgeable and capable management from within our organisation together with the ongoing motivation of our teams in each country.

The Group provides equal opportunity for employment, training and career development and promotion regardless of age, sex, colour, race, religion, ethnic origin or other minority groupings. The Group encourages the employment of disabled people when suitable vacancies are available and wherever possible re-trains employees who become disabled to enable them to do work consistent with their aptitudes and abilities. Where practicable a flexible approach is adopted to assist employees to manage a successful work life balance.

Hilton operates to high standards of employment practice. The Group has ethnically diverse workforces who at each location receive the same terms and conditions for comparable jobs. Given the geographical spread of the Group's operations it is both inappropriate and impractical to apply standard employee consultation and communication procedures across the Group. Each subsidiary is accordingly responsible for achieving and maintaining appropriate consultation and communication with its employees which include at all production sites joint management and employee committee meetings on health and safety and meetings with employees and union representatives to discuss issues affecting them.

Trading relationships with partners and suppliers

Strong and fair long term relationships with partners and suppliers are very important for Hilton. The Group's approach to corporate social responsibility is reflected in the way we behave with our suppliers which is open, consistent and honest. In the UK the Group follows the Better Payment Practice Code which requires a company to agree the terms of payment with its suppliers, to ensure its suppliers are aware of those terms and to abide by them. The Group policy is also to apply the requirements of the Code in each of its European subsidiaries.

Ethical standards

Hilton is committed to integrity. Ethical standards are very important in relation to the way we conduct our businesses and all the Group's employees are expected to behave ethically in their work and adhere to the Group's ethical standards. As an international group of companies we are fully aware of the broad spread of our responsibilities in all the countries in which we operate from protecting the environment to safeguarding the health and safety of our employees, ensuring honesty, integrity and fairness in all our business dealings and operating our businesses in a safe and responsible manner.

A whistle-blowing policy is in place in accordance with which staff can in confidence raise any concerns about any actual or potential improprieties in relation to matters of financial reporting or any other aspect of the Group's businesses.

Community

Supporting our local communities

Hilton's policy is to recruit locally based employees wherever possible in order to benefit the communities within which our plants are located. Hilton aims to play a positive role in all the communities in which it operates and we encourage employees to become involved with and support the local communities around our sites. We recognise the social impacts of our business and believe in consultation with local communities about our activities and about the safety and environmental impact of our operations. During 2010, in addition to small but regular donations made to local institutions and sponsorship of personal charitable initiatives and cultural events, Hilton supported a number of sports and musical events. We also hosted a family picnic in Poland to which orphaned children were invited who were affected by the severe 2010 flooding.

The Group seeks to be a good neighbour in all its locations. We are committed to social responsibility and believe that the success of our businesses will reflect the quality of the relationships we build with our communities and legitimate public interest groups.

Social, ethical and environmental risks

The Board carries out a broad review of all business risks as highlighted in the Corporate Governance statement on pages 27 to 30. The scope of this review covers social, environmental and ethical matters and is aimed at identifying significant risks to shareholder value whilst providing the Board with an opportunity to manage any risks identified.

Independent auditors' report to the members of Hilton Food Group plc

We have audited the financial statements of Hilton Food Group plc for the 52 weeks to 2 January 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company cash flow statements, the Consolidated and Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 January 2011 and of the Group's profit and Group's and parent company's cash flows for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance statement set out on pages 27 to 30 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 13 in relation to going concern;
- the parts of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Martin Pitt (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

30 March 2011

The maintenance and integrity of the Hilton Food Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

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

Consolidated statement of comprehensive income

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

The notes on pages 39 to 59 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	2010 £'000	Group 2009 £'000	2010 £'000	Company 2009 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	57,836	48,252	–	–
Intangible assets	14	2,063	2,651	–	–
Investments in subsidiary undertakings	15	–	–	102,985	102,985
Deferred income tax assets	21	1,021	492	–	–
		60,920	51,395	102,985	102,985
Current assets					
Inventories	16	20,346	17,335	–	–
Trade and other receivables	17	85,088	77,844	195	522
Current income tax assets		–	–	156	195
Cash and cash equivalents	18	26,141	24,141	1	1
		131,575	119,320	352	718
Total assets		192,495	170,715	103,337	103,703
Equity					
Capital and reserves attributable to owners of the parent					
Share capital	22	6,966	6,966	6,966	6,966
Employee share schemes reserve		1,071	377	–	–
Foreign currency translation reserve		3,758	3,262	–	–
Retained earnings		35,518	26,432	8,104	311
		47,313	37,037	15,070	7,277
Reverse acquisition reserve		(31,700)	(31,700)	–	–
Merger reserve		919	919	71,019	71,019
		16,532	6,256	86,089	78,296
Non-controlling interests		2,613	2,300	–	–
Total equity		19,145	8,556	86,089	78,296
Liabilities					
Non-current liabilities					
Borrowings	19	35,359	36,271	–	–
Deferred income tax liabilities	21	1,037	1,596	–	–
		36,396	37,867	–	–
Current liabilities					
Borrowings	19	8,828	8,424	–	–
Trade and other payables	20	124,820	113,688	17,248	25,407
Current income tax liabilities		3,306	2,180	–	–
		136,954	124,292	17,248	25,407
Total liabilities		173,350	162,159	17,248	25,407
Total equity and liabilities		192,495	170,715	103,337	103,703

The notes on pages 39 to 59 are an integral part of these consolidated financial statements.

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

R Watson N Majewski
Director Director

Hilton Food Group plc – Registered number: 6165540

Consolidated statement of changes in equity

Group	Notes	Attributable to owners of the parent									
		Share capital £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Subtotal £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 29 December 2008		6,966	96	3,891	18,232	29,185	(31,700)	919	(1,596)	1,752	156
Comprehensive income											
Profit for the year		–	–	–	14,009	14,009	–	–	14,009	1,212	15,221
Other comprehensive income											
Currency translation differences		–	–	(629)	–	(629)	–	–	(629)	(130)	(759)
Total comprehensive income		–	–	(629)	14,009	13,380	–	–	13,380	1,082	14,462
Transactions with owners											
Adjustment in respect of employee share schemes		–	281	–	–	281	–	–	281	–	281
Dividends paid	12	–	–	–	(5,809)	(5,809)	–	–	(5,809)	(534)	(6,343)
Total transactions with owners		–	281	–	(5,809)	(5,528)	–	–	(5,528)	(534)	(6,062)
Balance at 3 January 2010		6,966	377	3,262	26,432	37,037	(31,700)	919	6,256	2,300	8,556
Comprehensive income											
Profit for the year		–	–	–	15,745	15,745	–	–	15,745	1,170	16,915
Other comprehensive income											
Currency translation differences		–	–	496	–	496	–	–	496	(85)	411
Total comprehensive income		–	–	496	15,745	16,241	–	–	16,241	1,085	17,326
Transactions with owners											
Adjustment in respect of employee share schemes		–	500	–	–	500	–	–	500	–	500
Deferred tax on employee share schemes		–	194	–	–	194	–	–	194	–	194
Dividends paid	12	–	–	–	(6,659)	(6,659)	–	–	(6,659)	(772)	(7,431)
Total transactions with owners		–	694	–	(6,659)	(5,965)	–	–	(5,965)	(772)	(6,737)
Balance at 2 January 2011		6,966	1,071	3,758	35,518	47,313	(31,700)	919	16,532	2,613	19,145
Company											
Balance at 29 December 2008		6,966	–	–	121	7,087	–	71,019	78,106		
Comprehensive income											
Profit for the year		–	–	–	5,999	5,999	–	–	5,999		
Total comprehensive income		–	–	–	5,999	5,999	–	–	5,999		
Transactions with owners											
Dividends paid	12	–	–	–	(5,809)	(5,809)	–	–	(5,809)		
Total transactions with owners		–	–	–	(5,809)	(5,809)	–	–	(5,809)		
Balance at 3 January 2010		6,966	–	–	311	7,277	–	71,019	78,296		
Comprehensive income											
Profit for the year		–	–	–	14,452	14,452	–	–	14,452		
Total comprehensive income		–	–	–	14,452	14,452	–	–	14,452		
Transactions with owners											
Dividends paid	12	–	–	–	(6,659)	(6,659)	–	–	(6,659)		
Total transactions with owners		–	–	–	(6,659)	(6,659)	–	–	(6,659)		
Balance at 2 January 2011		6,966	–	–	8,104	15,070	–	71,019	86,089		

The notes on pages 39 to 59 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

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

The notes on pages 39 to 59 are an integral part of these consolidated financial statements.

Notes to the financial statements

1 General information

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

The Company is a public limited company incorporated and domiciled in the UK. The address of the registered office is 2-8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE. The registered number of the Company is 6165540.

The Company has its primary listing on the London Stock Exchange.

The financial year represents the 52 weeks to 2 January 2011 (prior financial year 53 weeks to 3 January 2010).

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

The Company has taken advantage of the exemption in Section 408 Companies Act 2006 not to publish its individual income statement and related notes. Profit for the year dealt with in the income statement of Hilton Food Group plc amounted to £14,452,000 (2009: £5,999,000).

2 Summary of significant accounting policies

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

Basis of preparation

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

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

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

Basis of consolidation

These consolidated financial statements comprise the financial statements of Hilton Food Group plc ("the Company") and its subsidiaries, together, ("the Group") drawn up to 2 January 2011. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity.

All inter-company balances and transactions, including unrealised profits arising from inter-group transactions, are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

International Financial Reporting Standards

(a) Standards, amendments and interpretations effective in 2010

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

IFRS 2 (amendment), 'Share-based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010).

These amendments determine the classification of share based payment awards. Amended definitions remove previous inconsistencies.

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

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

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

(b) Standards, amendments and interpretations effective in 2010 but not relevant to the Group or Company's operations
IAS 39 (amendment), 'Financial instruments: Recognition and measurement', on Eligible hedged items (effective 1 July 2009)

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

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

IFRIC 18, 'Transfer of assets from customers' (effective 1 July 2009)

(c) Standards, amendments and interpretations to existing standards that are not yet effective, are subject to EU endorsement and have not been early adopted by the Group

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

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

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations
IFRIC 14 (amendment), 'IAS 19 – Prepayments of a minimum funding requirement' (effective 1 January 2011)

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

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

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

IFRS 7 (amendment), 'Financial instruments: Disclosures on derecognition' (effective 1 July 2011)

Revenue recognition

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

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

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

Segment reporting

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

2 Summary of significant accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised as a separate component of equity in a foreign currency translation reserve.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

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

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

	Annual rate
Buildings – Held under finance lease	5%
Buildings – Leasehold improvements	10%
Plant and machinery	14% – 33%
Fixtures and fittings	14% – 33%
Motor vehicles	25%

Land is not depreciated. Assets in the course of construction are not depreciated until commissioned.

The residual value and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and purchase of minority interests is included in 'intangible assets', tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill represents the excess of the cost of the acquisition or purchase over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or minority interest at the date of acquisition.

(b) Computer software

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their useful economic lives of three to seven years.

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

(c) Product licences

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

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

(a) Classification

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

(b) Recognition and measurement

Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

(c) Impairment of financial assets

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

Inventories

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

Trade and other receivables

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

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

2 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown on the balance sheet within borrowings in current liabilities.

Share capital and reserves

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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

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

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

Trade and other payables

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

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

Borrowings

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

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

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

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

Leases

Assets acquired under a lease which transfers substantially all of the risks and rewards of ownership to the Group, are capitalised as property, plant and equipment at their fair value and are depreciated over the shorter of their useful economic lives and their lease term with any impairment being recognised in accumulated depreciation. Amounts payable under such leases (finance leases), net of transaction costs, are classified as current and non-current liabilities based on the lease payment dates. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the income statement in proportion to the reducing capital element outstanding.

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. The annual rentals under operating leases are charged to the income statement as incurred.

Current and deferred income tax

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the financial statements

continued

2 Summary of significant accounting policies (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Pensions and other post-employment benefits

The Group operates defined contribution schemes for certain employees in the UK, the Republic of Ireland and the Netherlands and contributes to a state administered money purchase scheme in Poland. The Group pays contributions to publicly or privately administered pension insurance plans and has no further payment obligations once the contributions have been made. The contributions are recognised as an employee benefit expense when they are due.

In the Netherlands and Sweden the Group contributes to industry-wide pension schemes for its employees. Although having some defined benefit features the Group's liability to these schemes is limited to the fixed contributions which are recognised as an expense when they are due. Accordingly the Group has accounted for these schemes as defined contribution schemes.

Share-based compensation

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

Grants

Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and all attaching conditions have been complied with.

Capital grants received and receivable by the Group are credited to deferred income and are amortised to the income statement on a straight-line basis over the expected useful economic lives of the assets to which they relate.

Revenue grants are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

Comparative information

Certain comparative information has been restated to reflect a fairer comparison with the current information. These restatements relate to a reclassification in note 7 of hire of plant and machinery costs to operating lease costs and have not affected the results of the Group for the period ended 3 January 2010 or shareholders' funds as at 3 January 2010.

3 Financial risk management

Financial risk factors

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

(a) Market risk

(i) Price risk

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

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk in the normal course of business in its overseas operations, principally on transactions in Euros, Swedish Krona, Danish Krone and the Polish Zloty although such risk is mitigated as natural hedges exist in each operation through matching local currency cash flows. The Group regularly monitors foreign exchange exposure and to date has deemed it not appropriate to hedge its foreign exchange position.

3 Financial risk management (continued)

(iii) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group seeks to manage exposure to interest rate risk through interest rate caps over the majority of its long term borrowings.

(iv) Sensitivity analysis

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

(b) Credit risk

The Group is exposed to credit risk in respect of credit exposures to its retail customer partners and banking arrangements. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made and in relation to its banking partners. The Group's maximum exposure to credit risk from retail customer partners is £76.1m (2009: £68.2m) as stated in note 17.

(c) Liquidity risk

The Group monitors regular cash forecasts to ensure that it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities and without breaching its banking covenants. The Group held significant cash and cash equivalents of £26.1m (2009: £24.1m) and maintains a mix of long-term and short-term debt finance.

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

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

Capital risk management

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

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

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown on the consolidated balance sheet) less cash and cash equivalents. EBITDA is calculated as operating profit before significant non-recurring items, interest, tax, depreciation and amortisation. The gearing ratio continues to improve ending the year at 0.5 (2009: 0.6) such that no further action has been required.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Directors consider that there is a single level of fair value measurement hierarchy.

Notes to the financial statements

continued

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During 2010 and 2009 there were no critical accounting estimates or judgements in relation to the application of the Group's accounting policies.

5 Segment information

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

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

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

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

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

	Western Europe £'000	Central Europe £'000	2010 Total £'000	Western Europe £'000	Central Europe £'000	2009 Total £'000
Total segment revenue	777,717	87,637	865,354	758,699	70,373	829,072
Inter-segment revenue	(1,131)	–	(1,131)	(2,981)	–	(2,981)
Revenue from external customers	776,586	87,637	864,223	755,718	70,373	826,091
Operating profit/segment result	20,786	2,530	23,316	19,452	2,280	21,732
Finance income	83	52	135	142	37	179
Finance costs	(1,078)	(162)	(1,240)	(1,524)	(327)	(1,851)
Income tax expense	(4,835)	(461)	(5,296)	(4,426)	(413)	(4,839)
Profit for the year	14,956	1,959	16,915	13,644	1,577	15,221
Depreciation and amortisation	12,225	1,729	13,954	12,814	1,493	14,307
Additions to non-current assets	19,603	3,516	23,119	10,507	1,657	12,164
Segment assets	171,042	20,432	191,474	152,861	17,362	170,223
Deferred income tax assets			1,021			492
Total assets			192,495			170,715
Segment liabilities	123,965	14,466	138,431	108,826	13,177	122,003
Borrowings			30,576			36,380
Current income tax liabilities			3,306			2,180
Deferred income tax liabilities			1,037			1,596
Total liabilities			173,350			162,159

5 Segment information (continued)

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

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

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

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

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

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

Notes to the financial statements

continued

6 Auditor's remuneration

Services provided by the Company's auditor and its associates

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

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

7 Expenses by nature

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

8 Employee benefit expense

Group	2010 £'000	2009 £'000
Staff costs during the year		
Wages and salaries	45,674	41,248
Social security costs	7,278	6,614
Share options granted to Directors and employees	500	281
Other pension costs	1,445	1,411
	54,897	49,554
	2010 Number	2009 Number
Average number of persons employed (including Executive Directors) during the year by activity		
Production	1,557	1,366
Administration	352	279
	1,909	1,645
Group	2010 £'000	2009 £'000
Key management compensation (including Directors)		
Salaries and short-term employee benefits	3,432	4,045
Post-employment benefits	188	236
Share-based payments	350	197
	3,970	4,478
Group	2010 £'000	2009 £'000
Directors' emoluments		
Aggregate emoluments	2,360	2,574
Company contribution to money purchase pension scheme	136	133
	2,496	2,707

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

There are no other employees of the Company other than the Directors. Employee expense of the Company amounted to £nil (2009: £nil).

9 Finance income and costs

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

Notes to the financial statements continued

10 Income tax expense

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

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the standard rate of UK Corporation Tax of 28% (2009: 28%) applied to profits of the consolidated entities as follows:

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

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

11 Earnings per share

Basic and diluted

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

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

12 Dividends

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

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

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

13 Property, plant and equipment

Group	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 29 December 2008	22,731	88,876	9,108	377	121,092
Exchange adjustments	(786)	(2,828)	(69)	(6)	(3,689)
Additions	109	11,347	554	116	12,126
Disposals	–	(74)	(4)	(121)	(199)
At 3 January 2010	22,054	97,321	9,589	366	129,330
Accumulated depreciation					
At 29 December 2008	7,874	55,725	5,956	212	69,767
Exchange adjustments	(202)	(1,710)	(38)	(2)	(1,952)
Charge for the year	1,480	10,588	1,253	79	13,400
Disposals	–	(41)	(2)	(94)	(137)
At 3 January 2010	9,152	64,562	7,169	195	81,078
Net book amount					
At 29 December 2008	14,857	33,151	3,152	165	51,325
At 3 January 2010	12,902	32,759	2,420	171	48,252
Cost					
At 3 January 2010	22,054	97,321	9,589	366	129,330
Exchange adjustments	(371)	263	299	–	191
Additions	3,054	19,171	464	155	22,844
Disposals	–	(585)	(139)	(142)	(866)
At 2 January 2011	24,737	116,170	10,213	379	151,499
Accumulated depreciation					
At 3 January 2010	9,152	64,562	7,169	195	81,078
Exchange adjustments	(123)	205	225	–	307
Charge for the year	1,451	10,318	1,245	73	13,087
Disposals	–	(549)	(122)	(138)	(809)
At 2 January 2011	10,480	74,536	8,517	130	93,663
Net book amount					
At 2 January 2011	14,257	41,634	1,696	249	57,836

Land and buildings are held under short leaseholds. Details of bank borrowings secured on assets of the Group are given in note 19.

The cost and net book amount of property plant and equipment in the course of its construction included above comprise land and buildings £2,905,000 (2009: £nil) and plant and machinery £11,440,000 (2009: £296,000).

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

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

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

Notes to the financial statements continued

14 Intangible assets

Group	Product licences £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost				
At 29 December 2008	8,720	3,014	836	12,570
Exchange adjustments	(612)	(68)	–	(680)
Additions	–	38	–	38
At 3 January 2010	8,108	2,984	836	11,928
Accumulated amortisation				
At 29 December 2008	7,451	1,448	–	8,899
Exchange adjustments	(524)	(5)	–	(529)
Charge for the year	426	481	–	907
At 3 January 2010	7,353	1,924	–	9,277
Net book amount				
At 29 December 2008	1,269	1,566	836	3,671
At 3 January 2010	755	1,060	836	2,651
Cost				
At 3 January 2010	8,108	2,984	836	11,928
Exchange adjustments	(289)	141	–	(148)
Additions	47	228	–	275
At 2 January 2011	7,866	3,353	836	12,055
Accumulated amortisation				
At 3 January 2010	7,353	1,924	–	9,277
Exchange adjustments	(263)	111	–	(152)
Charge for the year	355	512	–	867
At 2 January 2011	7,445	2,547	–	9,992
Net book amount				
At 2 January 2011	421	806	836	2,063

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

15 Investments in subsidiary undertakings

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

Company	2010 £'000	2009 £'000
At 3 January 2010 and 2 January 2011	102,985	102,985

16 Inventories

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

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

17 Trade and other receivables

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

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

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

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

Trade receivables impaired and the amount of the impairment provision was £63,000 (2009: £101,000). The individually impaired receivables mainly relate to invoices which are in dispute. It was assessed that a portion of the receivables is expected to be recovered. The trade receivables that were impaired were all overdue by more than six months. There were no other trade receivables which were overdue.

The other classes within trade and other receivables do not contain impaired assets. The trade receivables which are not impaired or overdue are all less than 30 days old.

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

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

Notes to the financial statements continued

18 Cash and cash equivalents

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

19 Borrowings

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

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

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

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

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

Bank borrowings totalling £41,017,000 (2009: £41,305,000) are secured by fixed and floating charges over the assets of the individual Group borrowers and through joint and several guarantees from each active Group undertaking.

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

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

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

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The fair value of the Group's finance lease liabilities is £4,778,000 (2009: £5,232,000). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 1.0% (2009: 1.0%).

20 Trade and other payables

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

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

21 Deferred income tax

The movement in deferred income tax assets and liabilities during the year is as follows:

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

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

22 Share capital

	2010 £'000	Group 2009 £'000	2010 £'000	Company 2009 £'000
Issued and fully paid				
69,656,667 ordinary shares of 10p each	6,966	6,966	6,966	6,966

All ordinary shares of 10p each have equal rights in respect of voting, receipt of dividends, and repayment of capital.

Notes to the financial statements

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23 Share-based payment

Executive share option scheme

Under the Group's executive share option scheme share options are granted to Executive Directors and to selected senior employees. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in earnings per share over the period plus 3%. The options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. No options are yet exercisable.

All employee sharesave scheme

This scheme is open to all eligible employees of the Group (including the Executive Directors) who make regular savings over a three year period. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options are exercisable starting three years from the grant date and must be exercised within six months thereafter. No performance conditions are attached to the options granted under the scheme. No options are yet exercisable.

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

	Executive share option Options (‘000)	Exercise price (pence)	Options (‘000)	2010 Sharesave Exercise price (pence)	Executive share option Options (‘000)	Exercise price (pence)	Options (‘000)	2009 Sharesave Exercise price (pence)
At 3 January 2010	2,670	185.74	487	147.00	1,279	199.50	–	–
Granted	1,109	246.00	178	246.00	1,506	174.75	487	147.00
Forfeited	(27)	213.96	–	–	(115)	194.95	–	–
At 2 January 2011	3,752	203.34	665	173.57	2,670	185.74	487	147.00

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

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

The fair value of options granted during the period determined using the Black-Scholes valuation model was 29p to 52p per option. The significant inputs into the model were the exercise price shown above, volatility of 30% to 40% based on a comparison of similar listed companies, dividend yield of 4% to 5%, an expected option life of four years, and an annual risk-free interest rate of 1.77% to 4.4%. See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

24 Cash generated from operations

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

The parent company has no operating cash flows.

25 Commitments

(a) Capital commitments

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

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

(b) Operating lease commitments

The Group leases various properties under non-cancellable operating lease arrangements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

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

Notes to the financial statements continued

26 Subsidiary undertakings

The principal subsidiary undertakings of the Group are:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	Proportion of ordinary shares held by Parent Group	
Hilton Meats (Retail) Limited	Northern Ireland	Specialist meat packing	–	100%
Hilton Meats Zaandam BV	Netherlands	Specialist meat packing	–	80%
Hilton Foods (Ireland) Limited	Republic of Ireland	Specialist meat packing	–	100%
Hilton Food Group Sverige AB	Sweden	Specialist meat packing	–	100%
Hilton Foods Danmark A/S	Denmark	Specialist meat packing	–	100%
Hilton Foods Limited Sp zoo	Poland	Specialist meat packing	–	100%
Hilton Foods Limited	Northern Ireland	Holding company	100%	–
Hilton Meats Holland Limited	Northern Ireland	Holding company	–	80%
Hilton Food Group (Europe) Limited	Northern Ireland	Holding company	–	100%

All subsidiary undertakings are included in the consolidation. The Company's voting rights in its subsidiary undertakings are the same as its effective interest in its subsidiary undertakings.

27 Related party transactions and ultimate controlling party

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

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

Group	2010 £'000	Sales 2009 £'000	2010 £'000	Purchases 2009 £'000
Hilton Meats (International) Limited	2,131	10,082	56,706	74,421
Romford Wholesale Meats Limited	–	–	44,487	46,496
RWM Dorset Limited	–	–	20,947	22,478
Foyle Food Group Limited	–	–	–	37,894

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

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

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

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

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

At the year-end £17,244,000 (2009: £25,402,000) was owed to Hilton Foods Limited and £195,000 (2009: £522,000) was owed by Hilton Meats (Retail) Limited.

28 Financial instruments by category

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

Group	Loans and receivables	
	2010 £'000	2009 £'000
Assets as per balance sheet		
Trade and other receivables	81,830	74,518
Cash and cash equivalents	26,141	24,141
	107,971	98,659
Group	Other financial liabilities at amortised cost	
	2010 £'000	2009 £'000
Liabilities as per balance sheet		
Trade and other payables	121,612	110,539
Borrowings	44,187	44,695
	165,799	155,234

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

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