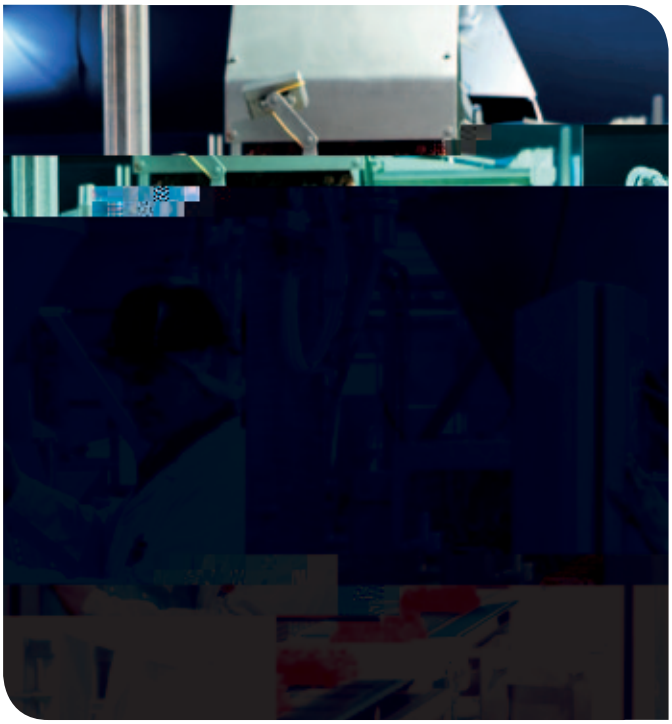
Europe's leading specialist retail meat packing business

Annual report and
financial statements 2011



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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 1 January 2012.

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 our value

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

Overview
Financial highlights

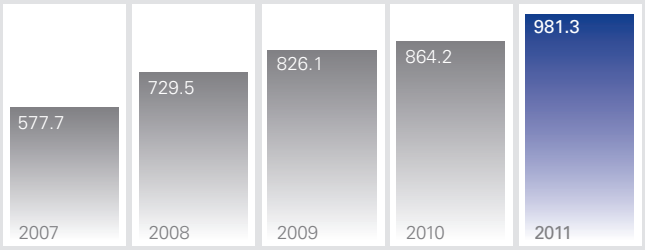
Good progress despite difficult economic conditions

Hilton Food Group plc, Europe's leading specialist retail meat business supplying major international food retailers in 12 countries, is today announcing its results for 2011.

Revenue

£981.3m (+13.6%)

(2010: £864.2 million)



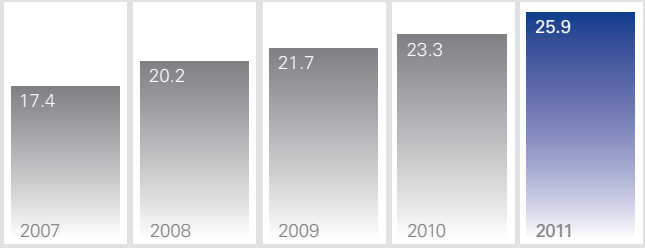
	Western Europe	Central Europe	Total
2011	888.7	92.6	981.3
2010	776.6	87.6	864.2
2009*	755.7	70.4	826.1
2008	679.7	49.8	729.5
2007	551.8	25.9	577.7

*53 weeks

Operating profit

£25.9m (+11.0%)

(2010: £23.3 million)



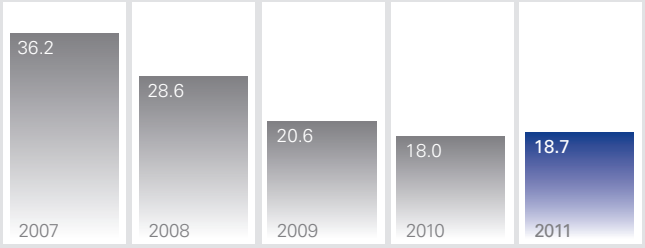
	Western Europe	Central Europe	Total
2011	23.2	2.7	25.9
2010	20.8	2.5	23.3
2009*	19.4	2.3	21.7
2008	18.9	1.3	20.2
2007	16.8	0.6	17.4

*53 weeks

Closing net debt

£18.7m (+3.7%)

(2010: £18.0 million)



	Total
2011	18.7
2010	18.0
2009	20.6
2008	28.6
2007	36.2

Overview

1

Good progress despite continuing difficult economic conditions

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

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
Delivering against our strategy

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

Sir David Naish DL
Non-Executive Chairman

Summary of Group results

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

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

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

The Group's results are considered in greater detail in the Chief Executive's summary and the Financial review sections on pages 12 to 19.

Management and employees

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

Our Board

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

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

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

Chairman's statement
continued

Dividend policy

The Board recognises the importance of dividend payments to shareholders and we aim to maintain a dividend policy that provides a dividend level that grows broadly in line with the underlying earnings of the Group. I am pleased to report that the Board has recommended a final dividend of 8.0p per ordinary share in respect of 2011. This, together with the interim dividend of 3.1p per ordinary share paid in December 2011, represents a 8.8% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 29 June 2012 to shareholders on the register on 1 June 2012 and the shares will be ex dividend on 30 May 2012.

Our strategy

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

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

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

Geographical reach

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

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

2012 Outlook

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

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

Sir David Naish DL
Non-Executive Chairman
28 March 2012

Group business review

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

Chief Executive's summary
Continued investment in sustainable growth

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

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

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

Robert Watson OBE
Chief Executive

Performance by business segment

Our business comprises two distinct business segments:

Western Europe

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

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

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

Central Europe

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

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

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

Continued investment to drive efficiency

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

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

Our retail partners

Our customer base comprises only successful blue chip multiple retailers and understanding our customers' needs and those of their consumers drives all that we do. The Group's growth has been generated historically by its strong long term relationships with its retail partners, with whom the Group continues to work very closely to deliver high service levels, consistent and dependable product quality, product innovation and reliable levels of food safety and product integrity assurance. These partnerships, combined with our customers' success have enabled the Group to continue to increase volumes whilst maintaining an unrelenting focus on reducing unit packing costs, which is essential for our customers who need competitive prices. The strength of these long term partnerships has been a key driver of our growth since the Group was formed and will continue to underpin the Group's strategy.

Chief Executive's summary
continued

Our people

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

Hilton is very much a people oriented business and we are committed to attracting, retaining and developing the best available talent pool to drive our future growth, whilst providing staff with an inclusive working culture in which everyone feels valued and respected and works together across the businesses and functions as one team. The Group's businesses operate on the basis of providing very high customer service levels, with the individual performance of our employees on an every-day basis being vital to their delivery.

The quality and depth of our management teams and workforces is a key driver of our successful growth and development, and we continue to increase the extent to which they routinely share best practice on a structured basis across the Group, in order to learn from each other, so as to be able to deliver the best achievable outcomes for all our customers. I would also like to welcome all of the new employees that became part of the Hilton Food Group in 2011.

Diversity

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

Product and packaging innovation

Developing new products will always be one of the keys to success in any business and driving continuing innovation remains core to Hilton's strategic approach, both in terms of new product development and the range of services we offer to our customers. The broadening of our product ranges, together with continued innovation, is required both to ensure we can meet changing consumer needs and to adapt our businesses to reduce costs and increase efficiencies and capacities.

Financial review
Soundly based finances

Hilton Food Group delivered another strong trading performance in the 52 weeks ending 1 January 2012, despite the difficult economic conditions prevailing in some of the countries in which it operates. This Financial review covers the main highlights of the Group's financial performance and position in 2011, together with the key features of the Group's treasury risk management policies, as well as certain required cautionary statements.

Nigel Majewski
Finance Director

Basis of preparation

The Group is presenting its results for the 52 week period ended 1 January 2012, with comparative information for the 52 week period ended 2 January 2011. The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2011 Financial performance

Revenue

Volumes grew overall by 6.0% and further details of volume growth by business

Treasury risk management policies

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

Foreign exchange rate movements and country specific risks

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

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

Interest rate fluctuation risk

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

Customer credit and pricing risks

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

Liquidity risk

This is an area which for many businesses represents a material concern, given the continuing difficult economic environment and liquidity constraints across banking systems in Europe which, in the light of current developments, may not resolve themselves rapidly. The Hilton Food Group remains strongly cash generative, has a robust balance sheet and has committed banking facilities for the medium term, sufficient to support its existing business. All bank positions are monitored on a daily basis and capital expenditure above set levels, together with decisions on intra group dividends, are all approved at Board meetings. All long term debt is arranged centrally and is subject to Board approval.

Key judgements and assumptions

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

Forward looking statements

The Chairman's statement, the Chief Executive's summary, the Financial review and the Business review together with the other reports which together comprise the Enhanced Business Review on pages 6 to 25 contain forward looking statements that are inevitably subject to risk factors associated with, amongst other things, economic, political and business developments which may occur from time to time across the countries in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but all forward looking statements and forecasts are inherently predictive, speculative and involve risk and uncertainty, simply because they relate to events and depend on circumstances that will occur in the future.

Going concern basis

The Group's bank borrowings are detailed in note 19 to the financial statements on page 67 and the principal banking facilities which support the Group's existing and contracted new business are committed, with no renewal required for three years. The Group is in full compliance with all its banking covenants. Future geographical expansion which is not yet contracted, and which is not built into internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities in the timescales required.

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

On behalf of the Board

Nigel Majewski
Finance Director
28 March 2012

Business review
Well positioned for future growth

We hope this Annual Report and Accounts, which explains who we are, what services we provide and how we performed in 2011, gives shareholders and other stakeholders the information they require in relation to our company and the steps we are taking to cement our reputation as Europe's leading specialist meat packing company.

This business review covers in turn the key resources and relationships of the business, the main trends and factors considered likely to impact the future development of the Group's businesses and the principal risks and uncertainties which face our businesses, together with the measures we have adopted to minimise and contain these risks.

The key resources and relationships of the business

The Group aims to safeguard the resources and relationships which are vital to its successful development.

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

Long term partnerships with strong retail customers	Our relationships with our customers are critical to our continuing success. Whilst detailed arrangements with customers vary, Hilton has close long term partnership relationships with its multiple retail customers (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.
Modern, well invested meat packing plants	The Group has well invested modern facilities and has invested over £140m over the last eight years to increase packing capacity, so as to be able to service its customers' growth, whilst ensuring its packing facilities are kept at a state of the art level, 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.
Employee skill base	Our relationship with our employees is a key factor behind our success and the Group continues to invest in developing its people. In addition to training and mentoring programmes, where additional skills are required, the strategies for retaining key staff include the provision of terms and conditions which are competitive in each locality, together with employer contributions to defined contribution pension schemes.
Wide and flexible meat supply base	Hilton has strong long term trading relationships with its key meat suppliers and is over time steadily widening its supply base and increasing its procurement strength. Supplier relationships are underpinned by fairness, loyalty and a partnership approach which pays regard to the interests of both parties. The Group maintains a wide, diverse and flexible global meat supply base, so as to be able to provide sufficient volume of products on short lead times as ordered by its customers.
Committed banking facilities	The Group is cash generative and has committed banking facilities sufficient to support its existing business for the foreseeable future, taking into account available cash balances.
Focus on the environment, employees and community issues	We work with the local communities in which our facilities are located and fully respect our environmental obligations. Information in relation to these matters and issues are set out in the Corporate and Social Responsibility report on pages 42 to 45. None of these issues had a material impact on the development, performance or position of the Group's businesses in 2011.

Business review
continued

The main trends and factors likely to impact the future development, performance and position of the group's business

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

Hilton's past growth has been accentuated by the consumer trend in most European markets towards convenience and one stop shopping which has led to the rapid growth of the large food retailers, together with these retailers' focus on private label, which the Group supplies exclusively. 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 difficult 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, centralised meat packing plants capable of producing packed meat products more hygienically and cost efficiently. By moving to larger suppliers of pre-packed meat from the optimum logistical locations the retailers have effectively chosen to rationalise their supply base, so as to deliver lower costs and higher food safety, food integrity and quality standards. This has allowed the retailers to focus on their core business and maximise their return on available retail space.

These trends and factors which have underpinned the past growth of the Group's business are expected to continue, albeit that the pace of recovery from the recent economic recessions in each of the 12 markets in which the Group currently operates cannot be predicted with any certainty.

The Group's historical geographical expansion

Hilton's past expansion has been based on its established track record, together with its growing international reputation and experience and the close partnerships for joint benefit it has established and maintained with successful retail partners.

The six European countries in which the Group currently operates meat packing plants, its retail partners served from those plants (all of whom, with the exception of Coop Danmark, are subsidiary or associated companies of the Tesco or Ahold groups) and the chronological order in which each facility commenced operations is set out below:

1994	UK – Huntingdon (Tesco)
2000	Holland – Zaandam (Albert Heijn)
2004	Ireland – Drogheda (Tesco)
2004	Sweden – Vasteras (ICA)
2006	Poland – Tychy (Ahold, Tesco and Rimi)
2011	Denmark – Hasselager (Coop Danmark)

The Group is continuing to achieve growth 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.

Risk management

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

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

The most significant business risks faced, which are unchanged from last year and which will continue to affect the group's businesses, together with the measures we have adopted to mitigate these risks, are outlined in the table below. This is not intended to constitute an exhaustive analysis of all risks faced by the Group, just those which are most significant from the standpoint of the Group as a whole.

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

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

Business review
continued

Risk area	The Group's business is dependent on the macroeconomic environment and levels of consumer spending in the countries in which it operates.
Potential impact	No business is immune to difficult economic climates and the consequent pressure on levels of consumer spending seen recently across Europe. Few people could have foreseen a year ago the extent to which world events would impact even the most stable economies.
Risk mitigation measures	With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made good progress over the recent difficult economic period. It expects to be able to continue to make progress going forward, even if the current difficult economic conditions, as expected, persist for some time.

Governance

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Non-Executive Directors

6 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 Party 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 and was elected Chairman in 2010. He is a past President of the National Farmers Union and is currently Chairman of his family farming business as well as a Director of Wilson Insurance Broking Group Limited and Caunton Engineering Limited and is also a Non-Executive Director of Produce Investments plc. Sir David is Chairman of the Nomination and Related Party Supply Committees.

7 Chris Marsh
Non-Executive Director

Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Related Party 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 Remuneration Committee and is the Senior Independent Director.

8 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 Party Supply Committee

Colin joined the Hilton Food Group in 2010 as a Non-Executive Director and has extensive experience in the food and distribution industry. A Chartered Accountant, he was at Safeway plc for 20 years as Finance Director and for the last six year as Chief Executive. Colin has previously held Chairmanships at food and agriculture businesses Assured Food Standards, Masstock Group and Blueheath Holdings plc and has been involved with not for profit organisations as a past President of the food industry charity Caravan and a trustee of Save the Children. He is currently chairman of Poundland Group Holdings Limited and was previously a Non-Executive Director of McBride plc. Colin is Chairman of the Audit Committee.

Chris Marsh and Colin Smith are considered to be independent.

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Directors' report

The Directors present their report and the audited consolidated financial statements for the 52 weeks ended 1 January 2012.

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 2011, 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 6 to 9, the Chief Executive's summary on pages 12 to 15, the Financial review on pages 16 to 19, the Business review on pages 20 to 25, the Corporate Governance statement on pages 36 to 41 and the Corporate and Social Responsibility report on pages 42 to 45. All the information detailed in these sections (including the KPI information set out on page 18) is incorporated by reference into this report and deemed to form part of it.

Results and dividends

The profit before taxation is £24.5m (2010: £22.2m). After a taxation charge of £5.9m (2010: £5.3m) and minority interests of £1.4m (2010: £1.2m) the net income for the period is £17.2m (2010: £15.7m).

An interim dividend of 3.1p per ordinary share was paid in December 2011. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts, of 8.0p per ordinary share totalling £5.6m, which, together with the interim dividend, represents 11.1p per ordinary share. Subject to approval at the Annual General Meeting, the final dividend will be paid on 29 June 2012 to members on the register at the close of business on 1 June 2012. Shares will be ex dividend on 30 May 2012.

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 19.

Directors and their interests

The Directors of the Company in office throughout 2011, together with their biographical details, are as set out on pages 28 and 29. All the Directors served for the whole of the year under review during which there was no change 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 Patten will not be seeking re-election. Philip Heffer and Sir David Naish 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 35.

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

	On 1 January 2012 ordinary shares	On 2 January 2011 ordinary shares
R. Watson	3,159,850	3,159,850
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	40,000	35,000
C. Marsh	30,000	30,000
C. Smith	30,000	–

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. Since the year end R. Watson, P. Heffer and N. Majewski each acquired 6,530 shares under Hilton's sharesave scheme. There have been no other changes in the interests of Directors between 1 January 2012 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	5.95%	Direct
R. Heffer	4,174,500	5.95%	Direct
ABP Foods (formerly Irish Food Processors)	4,096,700	5.84%	Indirect
AXA Investment Managers SA	3,850,000	5.49%	Indirect
Artemis Investment Managers	3,470,000	4.95%	Indirect
F&C Asset Management	3,062,399	4.36%	Indirect
Aviva plc & its subsidiaries	2,365,822	3.37%	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 £19,759 (2010: £27,902). No donations for political purposes were made during the year (2010: £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 2011 the Group's trade creditors represented 44 days of purchases (2010: 45 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 an ordinary resolution of the shareholders. Additionally the Board may appoint a Director who must retire fro

Directors' report
continued

Share options
Details of all options granted but not exercised or lapsed are shown in note 23 to the financial statements on page 69.

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 Financial Reporting Council issued the UK Corporate Governance Code ("Code") in June 2010 (replacing the previous UK Combined Code of Corporate Governance) which applies to accounting periods beginning on or after 29 June 2010. The Directors consider that the Company has during 2011, being the first year subject to the new Code, complied with the requirements of the UK Corporate Governance Code taking into account the provisions for smaller companies.

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 38 to 41 which includes information pursuant to DTR 7.2 and the Remuneration report on pages 34 to 37 detail how the Board applies the principles of good governance and best practice as set out in the UK Corporate Governance 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 28 and 29. 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 34 to 37.

By order of the Board

Neil George
Company Secretary

28 March 2012

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 28 and 29, 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 6 to 32) include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 28 March 2012 and is signed on its behalf by:

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 2011 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 during 2011 comprised all the Non-Executive Directors being Chris Marsh (Chairman), Sir David Naish and Colin Smith. 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 Remuneration 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 2011 performance related elements comprised 28% of the remuneration of the Executive Directors.

The Committee has taken independent advice on these matters from Aon Hewitt 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 2012 base salaries were increased by 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 2011. 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 2011, 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 2% bonus was paid in respect of an actual over-achievement of 1%.

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 2011 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, and there are no deferred or retention elements.

Under the 2012 bonus scheme Executive Directors will be awarded up to a maximum of 100% of base salary structured as follows:

- 50% subject to achieving the Group budgeted net income target;
- an additional bonus of up to 40% for any over achievement of the Group budgeted net income target with 2% bonus paid for every 1% over achievement subject to a cap; and
- up to 10% based on individual Director's performance against pre-determined targets.

The total all cash bonus is subject to a claw back clause in circumstances of exceptional misstatement or misconduct.

Executive share options
Grants of executive share options with a maximum value of 100% of basic salary were awarded 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 three years).

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.

With the introduction of the Company's new LTIP, as below, the Committee has no plans to grant further options under this scheme in the foreseeable future although it retains the ability to do so.

Long Term Incentive Plan
The Committee announced its intention in last year's Annual Report to move to a Long Term Incentive Plan (LTIP). The rules of the Hilton Food Group Long Term Incentive Plan 2012 have been designed and are proposed as an Ordinary Resolution for approval at the Company's Annual General Meeting.

The maximum individual award to any Director or employee is 100% of basic salary per year although in exceptional circumstances the Committee may award up to 200% during a financial year. Awards which will vest after three years will comprise nil cost options subject to a performance condition and be satisfied by the issue of new shares or transfer of existing shares. The granting of awards will be restricted to ensure that the number of shares allocated in relation to all incentive plans (including share option and sharesave plans) does not exceed 10% over 10 years. An Employee Benefit Trust will be set up in connection with this plan.

The Committee have decided that the performance condition will be based on the Group's compound growth in earnings per share over three years which is considered to be the most appropriate metric for an international business. Awards vest on a sliding scale with 25% of the maximum award applied at the minimum EPS growth target of 6%. The full award only vests where EPS growth is at least 14.5%.

All employee sharesave scheme
The Group operates a sharesave scheme approved by HM Revenue and Customs which is open to eligible employees in all the 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 in respect of Executive Directors are made to 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

Remuneration report
continued

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 end of 2011. 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:

	2011 £'000	2010 £'000
Fees and basic salary	1,606	1,526
Bonuses	609	689
Benefits in kind	152	145
	2,367	2,360
Pension contributions	154	136
	2,521	2,496

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

	Directors' salaries/fees £'000	Annual bonus £'000	Benefits in kind £'000	Total 2011 £'000	Total 2010 £'000	Pension 2011 £'000	Pension 2010 £'000
Executive Directors							
R. Watson	336	142	34	512	516	23	22
C. Patten	269	114	39	422	423	19	18
P. Heffer	269	114	33	416	418	19	18
T. Bergman	295	125	22	442	438	77	74
N. Majewski	269	114	24	407	409	16	4
Non-Executive Directors							
D. Naish	80	–	–	80	70	–	–
C. Marsh	45	–	–	45	43	–	–
C. Smith	43	–	–	43	10	–	–
G. Summerfield	–	–	–	–	33	–	–
Total	1,606	609	152	2,367	2,360	154	136

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 2 January 2011	Granted	At 1 January 2012	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
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
	6,531	–	6,531	147.00	19.12.11	19.06.12	2
	104,488	–	104,488	246.00	10.05.13	10.05.20	1
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
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 2011 was 280.0p and the high and low closing market share prices during 2011 were 297.0p and 236.5p respectively.

On behalf of the Board

Chris Marsh
Chairman of the Remuneration Committee

28 March 2012

Corporate Governance statement

The UK Corporate Governance Code

The Financial Reporting Council issued the UK Corporate Governance Code (the "Code") in June 2010 (replacing the previous UK Combined Code of Corporate Governance) which applies to accounting periods beginning on or after 29 June 2010.

The Board has prepared this report with reference to the new UK Corporate Governance Code. The Directors consider that the Company has during 2011 complied with the nine requirements of the Code, taking into account the provisions for smaller companies. The provisions of the Code can be obtained from www.frc.org.uk/corporate/ukcgcode.cfm.

This statement and the Remuneration report on pages 34 to 37, detail how the Board applies the principles of good governance and best practice as set out in the UK Corporate Governance 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 28 and 29. 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 Patten will not be seeking re-election. Philip Heffer and Sir David Naish 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 annual 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 during the year was externally facilitated involving each Board member completing a written questionnaire followed by an individual face to face interview with the external evaluator who has no connection with the Company. The Board evaluation report made a number of recommendations which will be acted upon to further enhance the effectiveness of the Board.

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.

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	10	4	3	1	3	10
R. Watson	10					
C. Patten	8					
P. Heffer	9					
T. Bergman	10					
N. Majewski	10	4				9
D. Naish	10	4	3	1	3	
C. Marsh	10	3	3	1	3	
C. Smith	10	4	3	1	3	

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 34 to 37.

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 having regard for diversity on the Board including gender. The Committee meets, as required, in order to propose to the Board new appointments of Executive and Non-Executive Directors. The Chairman has discussions with each Director to review and agree their training and development needs.

During 2011 the Nomination Committee comprised all the Non-Executive Directors chaired by Sir David Naish. In a very stable environment the Committee met once during the year but has not been required to consider any new appointments.

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

Remuneration Committee
During 2011 the Remuneration Committee, which was chaired by Chris Marsh and meets at least three times a year, comprised all the Non-Executive Directors. 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 34 to 37 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.

Corporate Governance statement 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.

During 2011 the Audit Committee, which was initially chaired by Chris Marsh and meets at least three times a year, comprised all the Non-Executive Directors, who between them have a wide experience of industry and commerce. On 27 June 2011 Colin Smith, who has significant and relevant current financial experience, was elected Chairman of the Committee.

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 monitors 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.

During the year the Committee approved a policy on the use of external auditors for non-audit services designed to preserve the independence of the external auditors. The policy categorises non-audit services into i) continuing services which the Committee permits external auditors to undertake subject to a price cap, ii) irregular or significant services requiring Committee approval on a case by case basis and iii) non-permitted services.

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 Group has also implemented an anti-bribery and anti-corruption policy to comply with the Bribery Act 2010.

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 2011 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 authorisation procedures. During 2011 RWM Food Group Limited changed ownership thereby ceasing to be a shareholder owned supplier.

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 anoxns287 0 T

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 25. 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.

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 61 of the financial statements.

By order of the Board

Neil George
Company Secretary

28 March 2012

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 the Group's six operational 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.

Sustainable food safety, integrity and quality from farm to fork

Consumers rightly expect quality and value for their hard earned money. Hilton strives, in partnership with our retail customers, to successfully deliver safe, consistently high quality, convenient and ready to use retail packs of beef, lamb, pork and added value meat products to ensure the highest level of consumer satisfaction. Primal meat cuts are sourced from the best abattoirs and meat boning plants to exacting specifications ensuring cost effectiveness. Our products are governed by EU legislation and food safety standards throughout the meat supply chain. Additionally our retail partners, who support the Global Food Safety Initiative, demand the best animal welfare standards, food factory standards and quality systems to enhance their levels of brand integrity.

Meat sourcing

As specialist retail meat packers Hilton can source its requirements for primal meat from the most advanced abattoirs in countries throughout the EU and other regions such as New Zealand and South America. Science and technology plays a large part in the consistent achievement of meat quality and influences Hilton's procurement of meat from large and small suppliers. In all cases Hilton's quality systems allow traceability of all meat used to its country of origin as this is an important factor for consumers when choosing which product to buy. Together with our retail partners we ensure that consumers have the best choice and can select on the basis of provenance, quality and price. For example, Hilton is able to focus its meat sourcing strategy on high quality pasture fed beef from Ireland and good welfare produced pork from the Netherlands, UK, Germany and Denmark where efficient production methods yield good prices.

Producer standards

Hilton is very attentive and listens carefully to consumer demands. We ensure that product comparison information is shared with suppliers and producers enabling farmers to improve their product. Good quality meat can only be produced from animals reared and handled to the best animal welfare standards as freedom from stress is a fundamental requirement not only for ethical and sustainable reasons but also to achieve consistent meat quality for consumers.

In addition farmers give a lot of thought to animal nutrition not only to achieve efficient weight gain but also to meet consumer demands on flavour and fat content. Hilton works closely with its suppliers and the farming community to continually improve the cleanliness of animals presented for slaughter as this has a direct effect on the reduction of pathogen risks associated with fresh meat.

Abattoir standards

It is well established in science that abattoir standards contribute significantly to the achievement of consistent meat quality. Hilton works closely with our retail partners to set best in class specifications ensuring humane and effective stunning, control of microbial contamination and pH and temperature drop is controlled according to best scientific practice. Meat is matured and boned according to clear enforced primal specifications that are agreed between Hilton, its retail customers and suppliers. Hilton develops long term trading partnerships with our suppliers by facilitating achievement of our retail customer's requirements through auditing by third party experts and development of sustainable corrective action plans where non-conformances are identified. We support our suppliers in applying abattoir standards covering factory structure and site standards, animal welfare standards, control of contamination through cleaning and disinfection, temperature controls, carcass dressing, boning and packing standards and traceability. Auditing as a means of challenging standards is now expected by consumers together with well established procedures throughout the food chain.

Retail packing at Hilton

Hilton continually develops and refines its monthly data collection and reporting particularly in the key area of meat raw material received. Samples collected from each delivery are assessed for compliance to microbiological standards and compliance to agreed quality specifications. Results are used to assess the performance of suppliers, a procedure welcomed by our retail customers as well as our suppliers who use the outcomes as a measure for the purpose of achieving continuous improvement. We are proud of our state of the art modern facilities comprising specialised meat processing, packing, automation and robotic equipment. Temperature control throughout our storage and production departments is fundamental to the quality of our products and this is centrally controlled with alarm alerts if there is any deviation from specified temperature requirements.

Specialised highly trained hygiene teams deep clean our factories every day using the latest technology and these clearly specified procedures are verified using not only trained auditors but also the latest monitoring equipment. Top quality meat from our suppliers, temperature control and high class standards of hygiene ensure that Hilton's retail partners receive product that consistently achieves agreed shelf life and meets customer expectations. All staff and visitors can only enter Hilton production facilities wearing specified personal protective clothing and by passing through barrier protected hand washing and sanitising facilities. The effectiveness of these entrance procedures are routinely verified using hand swabbing checks.

The responsibility for the quality of Hilton's retail partners' products is accepted by our well trained production operatives supported by a highly qualified and experienced quality assurance and technical team at each site. Besides maintaining annual third party accreditation through FSSC (Food Safety System Certification) using ISO 22000 and PAS 220 or BRC (British Retail Consortium) Issue 6, Hilton sites constantly challenge themselves through cross auditing of hygiene and quality system standards by other technical and quality managers from within the Hilton Food Group.
In addition we welcome the constant attention of our retail customers who make weekly visits to our sites some of which are unannounced. This level of attention is a valuable part of our partnership with our retail customers and gives consumers confidence that Hilton can consistently meet their expectations.

New product development is carried out in partnership with our retail customers and we pride ourselves on the kitchen facilities that Hilton has to facilitate this process of innovation and development. It is a fundamental strength of the Hilton team that a culture of sharing best practice is encouraged and developed. Technical managers from all sites meet regularly to share experiences, agree innovation initiatives and develop processes and systems that enable Hilton Food Group to remain at the forefront of our industry. We are helped in this process by maintaining strong links with academia and technological advances through Campden BRI, Bristol University and attendance at the annual International Conference of Meat Science and Technology.

Graduate recruitment is accepted as a fundamental part of the Hilton Food Group's future. We have successfully placed three of our trained graduates in key management roles to date and are well placed to employ a further three for our well developed graduate training programme which includes completion of an MSc in Meat Sciences at Bristol University.

Awards

Hilton takes great pride in its products and we are delighted that the quality and innovation of these products is recognised. We received awards in five classes in the Guild of Fine Food Great Taste Awards 2011 for our Irish Angus beef and Finest Irish bacon rashers. In the Netherlands our Pork is sold under the Good Farming Star brand and our extra lean range won the Allerhande Award for best innovation.

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 represents 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 carbon footprint calculator using emissions factors published by Defra. Hilton recognises the environmental impact of business travel in addition to a decrease in productive working and is enhancing its video conferencing technology across all its sites to minimise the amount of required travel by its employees.

	Tonnes of CO_2 per tonne of product
2011	0.14
2010	0.13

Energy usage

Our processing and packing operations consume electricity, gas, water and industrial gases and 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, the cost of which has been affected by recent sharp rises in utility costs, is shown below:

	Electricity and gas	Water	Liquid CO_2 and O_2
2011 – £'000	4,147	512	880
2010 – £'000	3,060	260	979
2009 – £'000	3,603	240	636
2011 – Cost per kilogram (pence)	2.0	0.24	0.42
2010 – Cost per kilogram (pence)	1.6	0.13	0.50
2009 – Cost per kilogram (pence)	2.0	0.13	0.35

Costs per kilogram 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. Use of LED lighting in the Group's factories will reduce future electricity consumption.

Corporate and Social Responsibility report
continued

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 has a very high priority across the Group. The yield losses incurred in processing and packing meat and packaging wastage are monitored throughout each day across the entire 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 thus reducing food 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

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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 Group has also implemented an anti-bribery and anti-corruption policy to comply with the Bribery Act 2010.

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 2011, 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.

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 38 to 41. 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.

Financial statements

4

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 1 January 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statement of changes in equity, the Consolidated and Company cash flow statements 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 33, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 1 January 2012 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; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared 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 19 in relation to going concern;
- the parts of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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

28 March 2012

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	2011 52 weeks £'000	2010 52 weeks £'000
Continuing operations			
Revenue	5	981,345	864,223
Cost of sales		(850,893)	(750,787)
Gross profit		130,452	113,436
Distribution costs		(9,720)	(11,049)
Administrative expenses		(94,850)	(79,071)
Operating profit		25,882	23,316
Finance income	9	258	135
Finance costs	9	(1,627)	(1,240)
Finance costs – net	9	(1,369)	(1,105)
Profit before income tax		24,513	22,211
Income tax expense	10	(5,915)	(5,296)
Profit for the year		18,598	16,915
Attributable to:			
Owners of the parent		17,199	15,745
Non-controlling interests		1,399	1,170
		18,598	16,915
Earnings per share for profit attributable to owners of the parent during the year			
– Basic (pence)	11	24.7	22.6
– Diluted (pence)	11	24.3	22.4

Consolidated statement of comprehensive income

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

The notes on pages 52 to 72 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	59,179	57,836	–	–
Intangible assets	14	1,907	2,063	–	–
Investments in subsidiary undertakings	15	–	–	102,985	102,985
Deferred income tax assets	21	1,134	1,021	–	–
		62,220	60,920	102,985	102,985
Current assets					
Inventories	16	22,466	20,346	–	–
Trade and other receivables	17	104,033	85,088	156	195
Current income tax assets		–	–	133	156
Cash and cash equivalents	18	27,345	26,141	14	1
		153,844	131,575	303	352
Total assets		216,064	192,495	103,288	103,337
Equity					
Capital and reserves attributable to owners of the parent					
Share capital	22	6,985	6,966	6,985	6,966
Share premium		372	–	372	–
Employee share schemes reserve		1,558	1,071	–	–
Foreign currency translation reserve		2,291	3,758	–	–
Retained earnings		45,392	35,518	9,970	8,104
		56,598	47,313	17,327	15,070
Reverse acquisition reserve		(31,700)	(31,700)	–	–
Merger reserve		919	919	71,019	71,019
		25,817	16,532	88,346	86,089
Non-controlling interests		3,452	2,613	–	–
Total equity		29,269	19,145	88,346	86,089
Liabilities					
Non-current liabilities					
Borrowings	19	35,615	35,359	–	–
Deferred income tax liabilities	21	641	1,037	–	–
		36,256	36,396	–	–
Current liabilities					
Borrowings	19	10,440	8,828	–	–
Trade and other payables	20	138,998	124,820	14,942	17,248
Current income tax liabilities		1,101	3,306	–	–
		150,539	136,954	14,942	17,248
Total liabilities		186,795	173,350	14,942	17,248
Total equity and liabilities		216,064	192,495	103,288	103,337

The notes on pages 52 to 72 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board on 28 March 2012 and were signed on its behalf by:

R Watson
Director

N Majewski
Director

Hilton Food Group plc – Registered number: 06165540

Consolidated cash flow statement

	Notes	Group 2011 52 weeks £'000	Group 2010 52 weeks £'000	Company 2011 52 weeks £'000	Company 2010 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	24	41,688	34,139	–	–
Interest paid		(1,627)	(1,240)	(435)	(557)
Income tax (paid)/received		(8,341)	(5,335)	195	522
Net cash generated from/(used in) operating activities		31,720	27,564	(240)	(35)
Cash flows from investing activities					
Purchases of property, plant and equipment		(24,350)	(17,573)	–	–
Proceeds from sale of property, plant and equipment		21	83	–	–
Purchases of intangible assets		(873)	(275)	–	–
Interest received		258	135	–	–
Dividends received		–	–	9,500	14,852
Net cash (used in)/generated from investing activities		(24,944)	(17,630)	9,500	14,852
Cash flows from financing activities					
Proceeds from borrowings		9,309	7,700	–	–
Repayments of borrowings		(6,935)	(8,063)	–	–
Repayment of inter-company loan		–	–	(2,304)	(8,158)
Issue of shares		382	–	382	–
Dividends paid to Company shareholders		(7,325)	(6,659)	(7,325)	(6,659)
Dividends paid to minority interests		(474)	(772)	–	–
Net cash used in financing activities		(5,043)	(7,794)	(9,247)	(14,817)
Net increase in cash and cash equivalents		1,733	2,140	13	–
Cash and cash equivalents at beginning of the year		26,141	24,141	1	1
Exchange losses on cash and cash equivalents		(529)	(140)	–	–
Cash and cash equivalents at end of the year	18	27,345	26,141	14	1

The notes on pages 52 to 72 are an integral part of these consolidated financial statements.

Notes to the financial statements

1 General information

Hilton Food Group plc ("the Company") and its subsidiaries (together "the Group") is a specialist retail meat packing business supplying major international food retailers in twelve European countries. The Company's subsidiaries are listed in 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 06165540.

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

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

These consolidated financial statements were approved for issue on 28 March 2012.

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 £9,191,000 (2010: £14,452,000).

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 1 January 2012. 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.

2 Summary of significant accounting policies (continued)

International Financial Reporting Standards

(a) New standards, amendments and interpretations effective in 2011
There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not yet effective, are subject to EU endorsement and not early adopted
IFRS 9 'Financial instruments' (effective 1 January 2013). This standard, replacing parts of IAS 39, concerns the classification, measurement and recognition of financial assets and financial liabilities. Equity instruments are to be measured at fair value with debt instruments measured at fair value or amortised cost. This standard is not expected to have a material impact on the Group or Company.

IFRS 13 'Fair value measurement' (effective 1 January 2012). This standard provides guidance to improve consistency and reduce complexity across IFRS. This standard is not expected to have a material impact on the Group or Company.

Amendment to IAS 1 'Presentation of financial statements' (effective 1 July 2012). This amendment revises the way other comprehensive income is presented in the statement of comprehensive income. This standard is not expected to have a material impact on the Group or Company.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

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.

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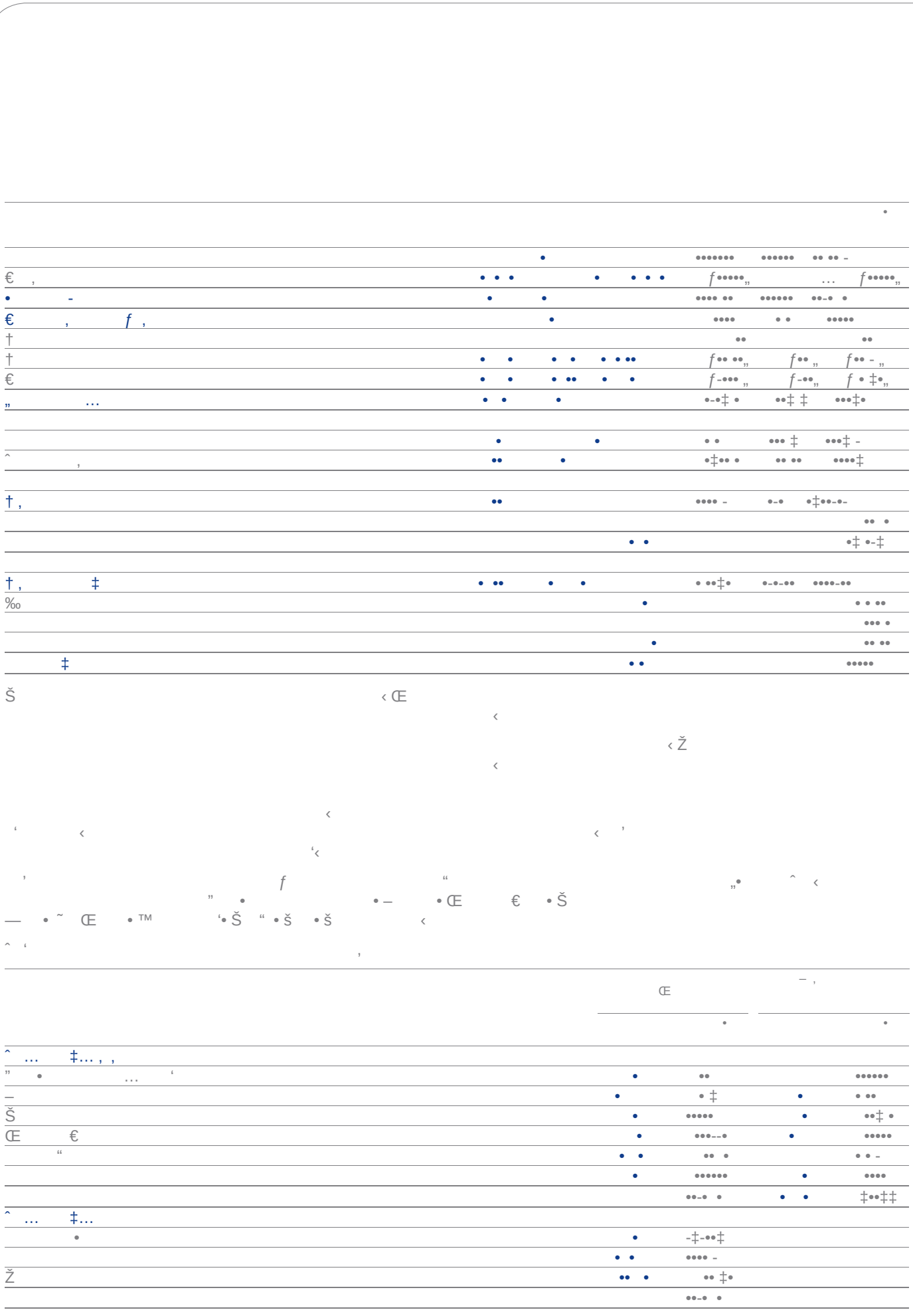

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