Europe's leading specialist retail meat packing business

Annual report and financial statements

2012

Group overview

Business overview

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

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

Overview
Financial highlights

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

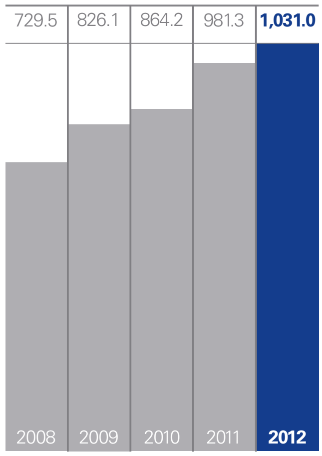
Revenue (£m)

£1,031.0m

+5.1%

2011: £981.3m

	Western Europe	Central Europe	Total
2012	**935.4**	**95.6**	**1,031.0**
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



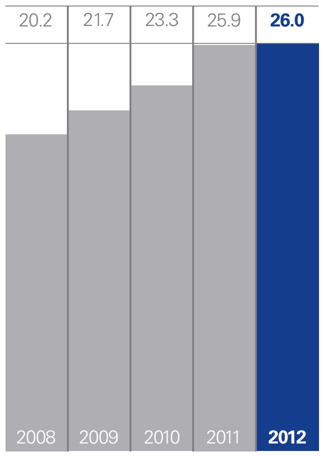
Operating profit (£m)

£26.0m

+0.3%

2011: £25.9m

	Western Europe	Central Europe	Total
2012	**23.7**	**2.3**	**26.0**
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



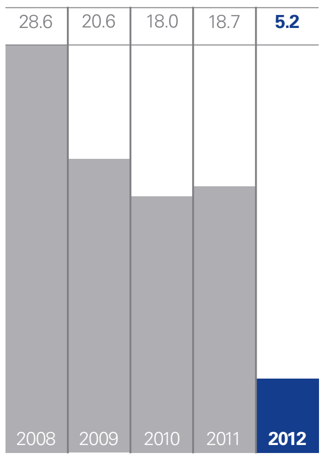
Closing net debt (£m)

£5.2m

–72.2%

2011: £18.7m

2012	**5.2**
2011	18.7
2010	18.0
2009	20.6
2008	28.6



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1 Group overview

Where we operate

United Kingdom

Location: Huntingdon
Customer: Tesco UK

Commenced Production
1994

Netherlands

Location: Zaandam
Customer: Albert Heijn

Commenced Production
2000

Ireland

Location: Drogheda
Customer: Tesco Ireland

Commenced Production
2004

Sweden

Location: Vasteras
Customer: ICA

Commenced Production

2004

Central Europe

Location: Tychy Poland
Customers:
Ahold Central Europe,
Rimi Baltics,
Tesco Central Europe

Commenced Production

2006

Denmark

Location: Aarhus
Customer: Coop Danmark

Commenced Production

2011

Chairman's statement
A sound platform for growth

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

Sir David Nash DL
Non-Executive Chairman

Summary of Group performance

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

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

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

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

Our management and employees

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

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

Chairman's statement
continued

The Board

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

Hilton's strategic approach

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

– Building volumes and extending product ranges and services to existing customers;

– Maintaining an uncompromising focus on reducing unit costs while improving product quality and service provision; and

– Entering new territories with new customers or in partnership with existing customers.

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

Our dividend policy

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

The outlook

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

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

Sir David Naish DL
Non-Executive Chairman
27 March 2013

2 Group business review

Chief Executive's summary

Continued investment on behalf of our customers

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

Financial overview

Our European businesses comprise two distinct operating segments:

Western Europe

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

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

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

Central Europe

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

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

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

Chief Executive's summary
continued

Our focus on quality, innovation, efficiency and food safety

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

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

Our supply chain partnerships

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

The Group's growth has been generated historically by its strong long term relationships with its retail partners, with whom the Group continues to work very closely to deliver high service levels, consistent and dependable product quality, ongoing product innovation and dependable levels of food safety and product integrity assurance. The strength of these long term partnerships has been a key driver of our growth since the Group was formed and will continue to underpin the Group's strategy.

Our people and culture

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

Diversity

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

Future growth

Hilton's business model has been successful across a range of European countries, appropriately adapted by working in close collaboration with its local customers to meet their specific requirements. We believe it can be transferred over time to a number of new countries and aim to achieve similar levels of benefit delivery with Woolworths in Australia.

Our strategy is very straightforward and at its core is focused on strongly supporting our customers' brands and their development in their local markets, whilst achieving attractive and sustainable rates of growth and returns for our shareholders. This single minded and uncomplicated approach has generated continuous growth over an extended period and, with well invested facilities and a strong balance sheet, the Group remains well placed to achieve further progress.

Robert Watson OBE
Chief Executive
27 March 2013

Financial review

A strong financial base

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

Nigel Majewski
Finance Director

Basis of preparation

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

2012 Financial performance

Revenue

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

Operating profit and margin

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

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

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

Taxation
The taxation charge for the period was £5.9m (2011: £5.9m). This represented an effective taxation rate of 23.7% (2011: 24.1%) reflecting a lower corporate tax rate in the UK.

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

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

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

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

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

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

Financial review
continued

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

Interest rate fluctuation risk

This risk stems from the fact that the interest rates on the Group's borrowings are variable, being at set margins over LIBOR for sterling borrowings or EURIBOR for euro borrowings, which both fluctuate over time. The Group's principal borrowing is in sterling, with interest at an agreed margin over LIBOR. The Board's policy is to have an interest rate cap on a proportion of this borrowing and the Group currently has in place a 2 year cap at 4.5% on 91% of its sterling term loan from Ulster Bank. The Board will review hedging costs and options should the current low interest rate environment change materially.

Customer credit and pricing risks

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

Liquidity risk

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

Forward looking statements

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

Going concern basis

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

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

On behalf of the Board

Nigel Majewski
Finance Director
27 March 2013

Business review
A strong base for future growth

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

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

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

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

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

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

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Our key resources and relationships

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

Long term partnerships with strong retail customers

Our long term partnership arrangements with successful retail customers, involving close liaison, discussion and co-ordination, designed to ensure that the best possible outcomes are achieved for both parties on an ongoing basis.

Growing international reputation

Our growing international reputation built on achieved levels of product quality and presentation, food safety and integrity, product innovation, service levels, health and safety, the way in which we treat our employees and suppliers and our proven ability to adapt Hilton's business model to differing customer and country requirements.

Modern, well invested meat packaging plants

Our well invested modern meat packing facilities at which we have invested over £150m over the last nine years to increase packing capacity in line with our customers' growth and maintain them at state of the art levels.

Employee skill base

Our wide and progressively deepening employee skill base.

Flexible meat supply base

Our broad, diverse and flexible meat supply base, based on close and long term relationships with our suppliers, which enables us to provide sufficient volume of quality products in the short lead times required by our customers.

Focus on the environment, employees and community

Our continuing focus on the environment, employees and local community issues.

Committed banking facilities

Our increasing financial strength, with low and reducing levels of net debt and committed banking facilities sufficient to support our existing business for the foreseeable future.

How we measure our performance

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

Financial KPI's

Financial KPI's	Definition, method of calculation and analysis
Revenue growth (%) **5.1%** 2011: 13.6%	Year on year revenue growth expressed as a percentage. The 2011 increase reflected the inclusion of the first year's production from the new facility in Denmark. Excluding the impact of adverse exchange rate movements, revenue growth in 2012 would have been 9.2%.
Operating profit margin (% turnover) **2.5%** 2011: 2.6%	Operating profit expressed as a percentage of turnover. The slight reduction in 2012 reflected the higher level of raw material meat prices which, whilst recovered, do not in all Hilton's contractual arrangements feed directly through to correspondingly increased margins.
Operating profit margin (pence per kilogram) **11.8** 2011: 12.4	Operating profit per kilogram sold. The reduction reflects the reduced operating profit margin.
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (£'m) **40.4** 2011: 42.9	Operating profit before depreciation, amortisation and government capital grants. The reduction in 2012 reflects reduced depreciation charges, which under Hilton's cost plus arrangements result in correspondingly reduced revenues.
Free cash flow before minorities (£'m) **20.5** 2011: 6.8	Cash flow before dividends and financing. The sharp increase in 2012 reflected the completion of the capital expenditure on the new facilities in Denmark. Excluding expenditure on equipment for Denmark, underlying free cash flow improved, from £21.4m to £23.9m, on a comparable year on year basis.
Gearing ratio **0.1** 2011: 0.4	Year-end net debt divided by EBITDA. The gearing ratio improved materially in 2012, as a result of the net debt level being reduced by 72%.

Non-financial KPI's

Non-financial KPI's	Definition, method of calculation and analysis
Growth in volume of packed meat sales (%) **4.8%** 2011: 6.0%	Year on year volume growth, expressed as a percentage. The 2012 growth is driven by further growth in Denmark and Central Europe. In other areas, volumes declined slightly overall, with weaker consumer demand in the face of higher raw material meat prices and overall economic pressure.
Employee and labour agency costs (pence per kilogram) **36.5** 2011: 40.0	Reduction in 2012 reflects efficiency gains, both with the completion of the Danish start-up phase and more generally.
Customer service level (%) **98.8%** 2011: 98.4%	Packs of meat delivered as a % of the orders placed. Little year on year change, with high service levels being maintained.
Number of product lines **1,900** 2011: 1,900	Breadth of product range, in terms of number of stock keeping units supplied to customers.

Business review
continued

How we manage risk

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

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

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

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

Risk description	**The Group's growth potential is dependent on the success of its customers and the growth of their packed meat sales.**
Potential impact	The Group's products carry the brand labels of the customer to whom its products are supplied and it is therefore dependent on its customers' success in maintaining or improving consumer perception of their own brand names and packed meat offerings.
Risk mitigation strategies	The Group plays a very proactive role in enhancing its customers' brand values, through providing high quality, competitively priced products, high service levels and continuing product and packaging innovation. It recognises that quality assurance is integral to its customers' brands and works closely with its customers to ensure rigorous quality assurance standards are met. It is continuously measured by its customers across a very wide range of parameters, including delivery time, product specification, product traceability and accuracy of documentation and targets demanding service levels across all these parameters. The Group works closely with its customers to identify continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage.
Risk description	**The progress of the Group's business is dependent on the macroeconomic environment and levels of consumer spending in the countries in which it operates.**
Potential impact	No business is immune to difficult economic climates and the consequent pressure on levels of consumer spending, such as those seen recently across Europe.
Risk mitigation strategies	With a sound business model, strong retail partners and a single minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made sound progress over the recent difficult economic period. It expects to be able to continue to make progress, even if the current difficult economic conditions, as expected, persist in some developed countries for some time.

Business review
continued

Risk description	**The Group's business is reliant on a small number of key personnel and its ability to manage growth and change successfully.**
Potential impact	The Group is critically dependent on the skills and experience of a small number of senior managers and specialists and as the business develops and expands, the Group's success will inevitably depend on its ability to attract and retain the necessary calibre of personnel for key positions, both for managing and growing its existing businesses and setting up new ones.
Risk mitigation strategies	To continue to manage growth successfully, the Group will carefully manage its skill resources and continue to invest in on-the-job training and career development, together with the cost effective management of quality information and control systems, whilst recruiting high quality new employees, as required, to facilitate the Group's ongoing growth. The continuing growth of Hilton's business, together with its growing reputation, is facilitating the recruitment of more top class specialists with the key skill sets required both to support our existing individual country business units and manage the Group's future geographical expansion.
Risk description	**The Group's business is dependent on maintaining a wide and flexible global meat supply base.**
Potential impact	The Group is reliant on its suppliers to provide sufficient volume of products in the very short lead times required by its customers. The Group sources certain of its meat requirements globally. Tariffs, quotas or trade barriers imposed by countries where the Group procures meat, or which they may impose in the future, together with the progress of World Trade Organisation talks and other global trade developments, could materially affect the Group's international procurement ability.
Risk mitigation strategies	The Group maintains a flexible global meat supply base, which is progressively widening as it expands, so as to have in place a wide range of options should any such eventualities occur.

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

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

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

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

3 Governance

Board of Directors

Executive Directors

Robert Watson OBE
Chief Executive

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

Nigel Majewski
Finance Director

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

Philip Heffer
Chief Operating Officer
UK and Ireland

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

Theo Bergman
Chief Operating Officer
Continental Europe

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

Colin Patten
Commercial Director

Colin joined the Hilton Food Group at its inception in 1994 as Commercial Director, responsible for procurement and business development, having worked previously in a similar role for the Group's UK subsidiary Hilton Meats (Retail) Limited and prior to that in meat wholesaling and packing. Colin retired on 16 May 2012.

Non-Executive Directors

Sir David Naish DL
Non-Executive Chairman

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

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 Downing Income VCT plc and Webb Capital plc. Chris is Chairman of the Remuneration Committee and is the Senior Independent Director.

Colin Smith OBE
Non-Executive Director

Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Related 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 years as Chief Executive. Colin has previously held Chairmanships at food and agriculture businesses Assured Food Standards, Masstock Group and Blueheath Holdings plc. He is currently a Non-Executive Director of Poundland Holdings Limited having stepped down as Chairman after ten years in the role. He 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.

Directors' report

The Directors present their report and the audited consolidated financial statements for the 52 weeks ended 30 December 2012.

Principal activities, business review and future outlook

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

The Companies Act 2006 requires the Company to set out, in this report, a fair review of the business of the Group during 2012, 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 18, the Business review on pages 19 to 25, the Corporate Governance statement on pages 40 to 44 and the Corporate and Social Responsibility report on pages 45 to 48. All the information detailed in these sections (including the KPI information set out on page 21) is incorporated by reference into this report and deemed to form part of it.

Results and dividends

The profit before taxation is £24.7m (2011: £24.5m). After a taxation charge of £5.8m (2011: £5.9m) and minority interests of £1.3m (2011: £1.4m) the net income for the period is £17.6m (2011: £17.2m).

An interim dividend of 3.4p per ordinary share was paid in December 2012. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts, of 8.6p per ordinary share totalling £6.1m, which, together with the interim dividend, represents 12.0p per ordinary share. Subject to approval at the Annual General Meeting, the final dividend will be paid on 28 June 2013 to members on the register at the close of business on 31 May 2013. Shares will be ex dividend on 29 May 2013.

Financial instruments

The Group's risk management objectives and policy are discussed in the treasury risk management policies section of the Financial review on pages 17 and 18.

Directors and their interests

The Directors of the Company in office throughout 2012, 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 unless stated. 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. Robert Watson and Chris Marsh retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election. Details of their service contracts are set out on pages 36 and 37.

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

	On 30 December 2012 ordinary shares	On 1 January 2012 ordinary shares
R. Watson	3,266,380	3,159,850
C. Patten	–	4,640,500
P. Heffer	4,181,030	4,174,500
T. Bergman	328,333	328,333
N. Majewski	19,863	13,333
D. Naish	55,000	40,000
C. Marsh	30,000	30,000
C. Smith	50,000	30,000

All of the above interests are beneficial, with the exception of 1,230,917 shares held by various family trusts of which R. Watson is a trustee. Since the year-end R. Watson acquired 50,000 shares through such a trust. There have been no other changes in the interests of Directors between 30 December 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
Aberforth Partners	6,754,156	9.50%	Indirect
AXA Investment Managers SA	4,609,850	6.49%	Indirect
G. Heffer	4,174,500	5.87%	Direct
R. Heffer	4,174,500	5.87%	Direct
Fidelity Management & Research	3,039,446	4.28%	Indirect
Aviva plc & its subsidiaries	2,467,839	3.47%	Indirect
Artemis Investment Managers	2,400,000	3.38%	Indirect
F&C Asset Management	2,132,457	3.00%	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 £18,188 (2011: £19,759). No donations for political purposes were made during the year (2011: £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 subsidiaries. At the end of 2012 the Group's trade creditors represented 42 days of purchases (2011: 44 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 from office at the following Annual General Meeting and if eligible then stand for re-election.
- the Company's Articles may be amended by a special resolution of the shareholders.
- the Directors have general powers to manage the business and affairs of the Company. Additionally the following specific authorities were passed as resolutions at the Company's Annual General Meeting held on 16 May 2012:
  - Directors have authority to purchase up to 10% of its own shares subject to certain conditions.
  - Directors have authority, within limits, to exercise the powers of the Company to allot shares and limited authority to disapply shareholder pre-emption rights.

  Both these authorities expire on the earlier of the date of the next Annual General Meeting or 16 August 2013.
- the Company has significant long-term supply agreements with customers which the customer may terminate in the event that ownership of the Company, following a takeover, passes to a third party which is not reasonably acceptable to that customer. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Share options

Details of all options granted but not exercised or lapsed are shown in note 23 to the financial statements on page 73.

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.

Directors' report
continued

Corporate governance
The Board has applied the provisions of the UK Corporate Governance Code issued in June 2010. The Directors consider that the Company has during 2012 complied with the requirements of the UK Corporate Governance Code taking into account the provisions for smaller companies.

The Financial Reporting Council issued a revised UK Corporate Governance Code ("Code") in September 2012 which applies to accounting periods beginning on or after 1 October 2012.

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 40 to 44 which includes information pursuant to DTR 7.2 and the Remuneration report on pages 35 to 39 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/investors/agm. Shareholders will be invited to approve the Remuneration report set out on pages 35 to 39.

By order of the Board

Neil George
Company Secretary
27 March 2013

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 27 March 2013 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 2012 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 2012 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 remuneration is subject to performance and aligned with the interests of shareholders. A significant proportion of senior employee remuneration packages comprise performance related elements, including the grant of executive share options, awards under the Long Term Incentive Plan and mainly non-discretionary target driven annual bonus schemes.
  In 2012 performance related elements comprised 6% 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 2013 base salaries were increased by 3% which is marginally 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 2012. This bonus scheme was based on achieving the Group budgeted net income target plus a discretionary element. 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 2012 the maximum potential bonus award level was 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.

Remuneration report
continued

The Group did not achieve the Group budgeted net income target for the year and consequently no bonus relating to those elements was paid. The 10% discretionary bonus was paid in full as considerable progress was achieved during 2012 in positioning the Group for future growth.

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 the opinion of the Committee the performance of the Executive Directors during 2012 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 2013 bonus scheme structure Executive Directors will be awarded up to a maximum of 100% of base salary as follows:

– up to 80% based on the achievement of a net income target on a sliding scale commencing at the level of 2012 actual net income earning a 21.5% bonus with the maximum amount payable at a net income level at least 15% above that budgeted; and

– up to 20% 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.

With the introduction of the Company's new Long Term Investment Plan, 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 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 comprise nil cost options subject to a performance condition and be satisfied by the issue of new shares or transfer of existing shares. An Employee Benefit Trust has been set up in connection with this plan.

A grant of executive share options with a maximum value of 100% of basic salary was awarded during the year. The Committee 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 compound growth target of 6% per year. The full award only vests where EPS compound growth is at least 14.5% per year.

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 for 2012 in respect of Executive Directors were made to money purchase pension schemes at the rates set out in their service contracts, which were up to 7% of basic salary for R. Watson, C. Patten, P. Heffer and N. Majewski and 20% for T. Bergman. From 1 January 2013 employer contributions have been raised to 15% of basic salary for R. Watson, P. Heffer and N. Majewski and to 24% 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. Their appointments were extended for a further three years in 2010 and again on 27 March 2013. C. Smith entered into a letter of appointment with the Company with effect from 1 October 2010 for an initial period of three years. All Non-Executive Directors' appointments are terminable upon six months' notice by either party.

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

There is no requirement for Directors to hold shares in the Company.

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.

A termination payment comprising 12 months' basic salary was made to C. Patten during the year. No other termination payments were made during the year to any of the Executive or Non-Executive Directors.

Share scheme dilution limits

The Company applies restrictions over the issue of new shares under all its share schemes of 10% in 10 years and 5% in 10 years for discretionary schemes. As at 30 December 2012 the headroom available under these limits was 4.0% and 0% respectively.

TSR performance graph

The graph below shows the Total Shareholder Return performance (share price movements plus reinvested dividends) of the Company compared against the FTSE Small Cap covering the five years 2008 to 2012. 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.

– Hilton Food Group – Total Return Index
– FTSE All Small – Total Return Index

Remuneration report
continued

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:

	2012 £'000	2011 £'000
Fees and basic salary	1,518	1,606
Bonuses	120	609
Benefits in kind	162	152
Termination payments	282	–
	2,082	2,367
Pension contributions	138	154
	2,220	2,521

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

	Directors' salaries/fees £'000	Annual bonus £'000	Benefits in kind £'000	Termination payments £'000	Total 2012 £'000	Total 2011 £'000	Pension 2012 £'000	Pension 2011 £'000
Executive Directors								
R. Watson	353	35	41	–	429	512	24	23
C. Patten	141	–	40	282	463	422	10	19
P. Heffer	282	28	35	–	345	416	20	19
T. Bergman	290	29	21	–	340	442	73	77
N. Majewski	282	28	25	–	335	407	11	16
Non-Executive Directors								
D. Naish	80	–	–	–	80	80	–	–
C. Marsh	45	–	–	–	45	45	–	–
C. Smith	45	–	–	–	45	43	–	–
Total	1,518	120	162	282	2,082	2,367	138	154

Share option schemes

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

Director	At 1 January 2012	Granted	Exercised	Market price on exercise (pence)	Lapsed	At 30 December 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
	6,530	–	(6,530)	260.00	–	–	147.00	19.12.11	19.06.12	2
	–	141,585	–	–	–	141,585	nil	26.06.15	26.06.22	3
C. Patten	120,301	–	(120,301)	230.00	–	–	199.50	12.05.11	12.05.18	1
	144,206	–	(144,206)	230.00	–	–	174.75	01.05.12	01.05.19	1
	104,488	–	(75,463)	256.00	(29,025)	–	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
	6,530	–	(6,530)	260.00	–	–	147.00	19.12.11	19.06.12	2
	104,488	–	–	–	–	104,488	246.00	10.05.13	10.05.20	1
	–	113,268	–	–	–	113,268	nil	26.06.15	26.06.22	3
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
	–	119,437	–	–	–	119,437	nil	26.06.15	26.06.22	3
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
	6,530	–	(6,530)	260.00	–	–	147.00	19.12.11	19.06.12	2
	–	113,268	–	–	–	113,268	nil	26.06.15	26.06.22	3

1. Executive share options are subject to a performance condition of growth in the Company's 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.

3. Nil cost options granted under the Long Term Incentive Plan are subject to a performance condition of compound growth in the Group's earnings per share over three years. Awards vest on a sliding scale between 25% for 6% EPS compound growth and 100% for at least 14.5% EPS compound growth.

The closing market share price on 31 December 2012 was 275.00p and the high and low closing market share prices during 2012 were 310.00p and 235.25p respectively.

On behalf of the Board

Chris Marsh
Chairman of the Remuneration Committee
27 March 2013

Corporate Governance statement

The UK Corporate Governance Code

The Board has prepared this report with reference to the UK Corporate Governance Code issued in June 2010. The Directors consider that the Company has during 2012 complied with the nine requirements of this Code, taking into account the provisions for smaller companies.

This statement and the Remuneration report on pages 35 to 39, detail how the Board applies the principles of good governance and best practice as set out in this UK Corporate Governance Code.

The Financial Reporting Council issued a revised UK Corporate Governance Code in September 2012 which applies to accounting periods beginning on or after 1 October 2012. The provisions of these Codes can be obtained from www.frc.org.uk/corporate/ukcgcode.cfm.

The Board

Membership

At the date of this report the Board consists of four 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. Robert Watson and Chris Marsh retire in accordance with the Articles of Association at the forthcoming Annual General Meeting and, being eligible, each offers himself for re-election.

Performance evaluation

The Non-Executive Chairman leads a formal 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. During 2012 the Board completed the external evaluation process, which had commenced in the previous year, implementing its recommendations. Following the resignation of Colin Patten the Board was restructured in order to adopt simpler and more transparent responsibilities and reporting lines. A wider review of management structures resulted in the clearer establishment of centres of excellence in technical and specialist areas.

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.

Information and support provided to Board members

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

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

Meeting attendance

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

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

Committees of the Board

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

The work of these five Committees, including a summary of their terms of reference, is summarised below and in the Remuneration report on pages 35 to 39.

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 2012 the Nomination Committee comprised all the Non-Executive Directors chaired by Sir David Naish. In a continuing 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 2012 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

Corporate Governance statement
continued

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 35 to 39 provides fuller details of the Company's executive remuneration policy and practice, and 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.

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 2012 the Audit Committee, which was chaired by Colin Smith 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.

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.

Hilton has implemented a policy on the use of external auditors for non-audit services designed to preserve the independence of the external auditors. This 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 2012 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 supplies 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.

The Committee monitors the quantity and terms of orders placed with shareholder suppliers and the shareholder 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.

During 2012 the last remaining shareholder owned supplier ceased to be a related party supplier following C. Patten's resignation as a Board Director in May 2012. Accordingly the Board has approved the disbandment of this specialist Board Committee as there are no longer any related party suppliers requiring oversight. However the Committee will be reconvened should any new related party suppliers be identified in the future.

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 six operating subsidiary company operations managers and the Group Internal Auditor, together with other personnel throughout the Group as required. The Committee meets regularly and at least six times a year. Its principal functions are to raise the level of management awareness of and accountability for business risks faced, embed risk management into the Group culture, provide a mechanism for risk management issues to be discussed and disseminated, and to provide advice on and co-ordinate risk management strategies across the Group ensuring they receive the appropriate level of sponsorship and support. The Committee is authorised to seek any information it requires from Group employees as well as any external legal or professional advice it requires and reports to the Board following each meeting.

The work of the Committee in 2012 continued the development of disaster recovery plans including sister site support and progress towards BS 25999 Business Continuity Management. Hilton's Dutch subsidiary received BS 25999 accreditation during the year.

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

Information and support provided to Committee members

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

Shareholder communications

The Board promotes open communication with shareholders. The Chief Executive and Finance Director meet regularly and have dialogue with institutional shareholders both to discuss the Group's performance and prospects and to develop an understanding of their views which are relayed back to the Board. The Board's current assessment of the Group's position and prospects are set out in the Chairman's statement, the Chief Executive's summary, the Financial review and the Business review on pages 6 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 Annual General Meeting, 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.

Corporate Governance statement
continued

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 65 of the financial statements.

By order of the Board

Neil George
Company Secretary
27 March 2013

Corporate and Social Responsibility report

Taking care of our stakeholders and the environment

Hilton Food Group recognises its social, ethical and environmental responsibilities arising from its operations and to the welfare of employees, customers, suppliers and the communities in which we operate. The Group is committed to working in an ethical, open and honest manner to produce products of the highest quality, responsibly and sustainably. The philosophies which underpin our policies for the environment, regulatory compliance, health and safety, product quality, and integrity and ethical conduct are summarised below.

Complete food assurance from farm to fork

It is essential that consumers have complete confidence in the meat products they purchase and correct product label information is key to gaining consumer trust. Hilton has a pivotal role in managing a supply chain which starts on the farm. Our oversight of farm and abattoir standards ensures that the meat products we produce are of the highest quality and that the label correctly describes its provenance including species and country of origin.

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. 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.

A short and transparent supply chain with full traceability

Hilton is committed to ensuring that the supply chain in which we play a significant part is as short as possible. Farm reared animals are slaughtered at abattoirs from where Hilton sources its meats and our food products are delivered directly to our retail customers for sale in their stores. Our quality systems provide full traceability of all meat that we use.

Where our meat comes from

As specialist retail meat packers, Hilton can source its requirements for primal meat from the most advanced abattoir plants, to exacting specifications, ensuring cost effectiveness. Most of our meat is sourced locally within the EU and also from 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. 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 enable competitive prices.

Farm standards

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 any 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 and control of microbial contamination. Also pH and temperature drop is controlled according to best scientific practice. Meat is matured and boned according to clear and enforced primal specifications that are agreed between Hilton, its retail customers and abattoir suppliers. Hilton develops long term trading partnerships with our suppliers by facilitating achievement of our retail customer requirements through auditing by third party experts and development of sustainable corrective action plans where any non-conformances are identified. We support our suppliers in applying abattoir standards covering factory structure, 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.

Hilton continually develops and refines data collection and reporting particularly in the key area of meat raw material. 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 and achieve continuous improvement.

Corporate and Social Responsibility report
continued

Retail packing at Hilton

We are proud of our modern specialised meat processing and packing facilities which use state of the art production equipment, including a high degree of automation and use of robotic equipment which minimises handling.

Our well trained production operatives are responsible for the quality of Hilton's retail partners' products and they are supported by highly qualified and experienced quality assurance and technical teams at each site. Hilton maintains annual third party accreditation through FSSC (Food Safety System Certification) using ISO 22000 and PAS 220 or BRC (British Retail Consortium) Issue 6 and we constantly challenge ourselves through cross auditing of hygiene and quality system standards by technical and quality managers from other Hilton sites. In addition we welcome the constant attention of our retail customers who make frequent 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.

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.

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 our sites meet regularly to share experiences, agree innovation initiatives and develop processes and systems to ensure that Hilton remains at the forefront of our industry.

Graduate recruitment is fundamental to Hilton's future and our training programme includes completion of a Food Science masters degree at Bristol University, following which our trained graduates are placed into key management roles. We maintain strong links with academia and technological advances through Campden BRI, Bristol University and attendance at the annual International Conference of Meat Science and Technology.

Awards

Hilton takes great pride in its products and we are delighted when the quality and innovation of these products is recognised. During 2012 in Ireland we received a number of awards in the Guild of Fine Food Great Taste Awards and Irish Food Awards. In the Netherlands our extra lean mince won an Allerhande Award for best innovation. In Denmark we were awarded a green idea prize by our customer for developing a minced beef product including vegetables.

Environment

The Group takes all practicable steps to carefully manage 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 the Group's packing activity is very small indeed, as the Group is not involved in the breeding, growing and slaughtering of animals, and the packaging formats used for its products are selected by our customers. The Group is nevertheless committed, working closely with its customers to minimising its environmental impact.

Regulatory compliance

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

Carbon footprint and greenhouse gases

The Group's carbon footprint has been estimated using emissions factors published by Defra. In addition to carbon dioxide Hilton uses some refrigerants but has extremely low or no emissions of the other greenhouse gases listed in the Kyoto Protocol. Hilton recognises the environmental impact of business travel in addition to the consequential decrease in productive working and during the year invested in enhanced video conferencing technology across all its sites so as to minimise the amount of required travel by its employees.

	Tonnes of CO_2 per tonne of product
2012	0.13
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 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
2012 – £'000	4,404	586	819
2011 – £'000	4,147	512	880
2010 – £'000	3,060	260	979
2012 – Cost per kg (pence)	2.1	0.28	0.39
2011 – Cost per kg (pence)	2.0	0.24	0.42
2010 – Cost per kg (pence)	1.6	0.13	0.50

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.

Waste and packaging

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 is useful as it protects our products and prolongs shelf life 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 appropriate actions taken in order to protect the safety of employees. Two members of the Board, Philip Heffer and Theo Bergman, have been assigned responsibility for health and safety and environmental matters across the Group's operational sites.

We monitor and review all incidents and accidents in the workplace so that we can take appropriate action to improve working conditions whilst remaining focused on reducing both the absolute number of accidents and the number of serious accidents. Formal reporting procedures are in place at every site so that the Group can monitor safety performance at a local level. There is a full time safety officer at each site who monitors the key measures for safety performance, which include the number of serious and non-serious accidents and the number of working days lost through injury, together with short and long term sickness levels, key statistics which are shown below for 2012:

	Average number of employees	Serious accidents	Recorded accidents per 100,000 hours worked	Sickness rate (%)
2012	2,266	26	5.5	5.3%
2011	2,181	10	6.0	5.2%
2010	1,909	30	9.0	5.6%

Corporate and Social Responsibility report
continued

Our people

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

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

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

Trading relationships with partners and suppliers

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

Ethical standards

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

A whistle-blowing policy is in place, in accordance with which staff can in confidence raise any concerns about any actual or potential improprieties in relation to matters of financial reporting or any other aspect of the Group's businesses. 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 2012, 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 and made food bank contributions.

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 40 to 44. The scope of this review covers social, environmental and ethical matters and is aimed at identifying significant risks to shareholder value whilst providing the Board with an opportunity to manage any risks identified.

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

We have audited the financial statements of Hilton Food Group plc for the 52 weeks to 30 December 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 and financial statements 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 30 December 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 18 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
27 March 2013

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.

4 Financial statements

Consolidated income statement

	Notes	2012 52 weeks £'000	2011 52 weeks £'000
Continuing operations			
Revenue	5	1,031,004	981,345
Cost of sales		(904,755)	(850,893)
Gross profit		126,249	130,452
Distribution costs		(9,149)	(9,720)
Administrative expenses		(91,133)	(94,850)
Operating profit		25,967	25,882
Finance income	9	199	258
Finance costs	9	(1,454)	(1,627)
Finance costs – net	9	(1,255)	(1,369)
Profit before income tax		24,712	24,513
Income tax expense	10	(5,807)	(5,915)
Profit for the year		18,905	18,598
Attributable to:			
Owners of the parent		17,584	17,199
Non-controlling interests		1,321	1,399
		18,905	18,598
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	11	24.9	24.7
Diluted (pence)	11	24.7	24.3

Consolidated statement of comprehensive income

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

The notes on pages 56 to 76 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Assets					
Non-current assets					
Property, plant and equipment	13	56,162	59,179	–	–
Intangible assets	14	1,857	1,907	–	–
Investments in subsidiary undertakings	15	–	–	102,985	102,985
Deferred income tax assets	21	1,111	1,134	–	–
		59,130	62,220	102,985	102,985
Current assets					
Inventories	16	21,885	22,466	–	–
Trade and other receivables	17	107,811	104,033	115	156
Current income tax assets		699	–	87	133
Cash and cash equivalents	18	31,428	27,345	30	14
		161,823	153,844	232	303
Total assets		220,953	216,064	103,217	103,288
Equity					
Equity attributable to owners of the parent					
Ordinary shares	22	7,087	6,985	7,087	6,985
Share premium		2,562	372	2,562	372
Employee share schemes reserve		1,238	1,558	–	–
Foreign currency translation reserve		2,099	2,291	–	–
Retained earnings		54,932	45,392	11,148	9,970
		67,918	56,598	20,797	17,327
Reverse acquisition reserve		(31,700)	(31,700)	–	–
Merger reserve		919	919	71,019	71,019
		37,137	25,817	91,816	88,346
Non-controlling interests		3,835	3,452	–	–
Total equity		40,972	29,269	91,816	88,346
Liabilities					
Non-current liabilities					
Borrowings	19	25,133	35,615	–	–
Deferred income tax liabilities	21	1,579	641	–	–
		26,712	36,256	–	–
Current liabilities					
Borrowings	19	11,497	10,440	–	–
Trade and other payables	20	141,772	138,998	11,401	14,942
Current income tax liabilities		–	1,101	–	–
		153,269	150,539	11,401	14,942
Total liabilities		179,981	186,795	11,401	14,942
Total equity and liabilities		220,953	216,064	103,217	103,288

The notes on pages 56 to 76 are an integral part of these consolidated financial statements.

The financial statements on pages 52 to 76 were approved by the Board on 27 March 2013 and were signed on its behalf by:

R. Watson
Director

N. Majewski
Director

Hilton Food Group plc – Registered number: 06165540

Consolidated statement of changes in equity

		Attributable to owners of the parent									
Group	Notes	Share capital £'000	Share premium £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 3 January 2011		6,966	–	1,071	3,758	35,518	(31,700)	919	16,532	2,613	19,145
Profit for the year		–	–	–	–	17,199	–	–	17,199	1,399	18,598
Other comprehensive income											
Currency translation differences		–	–	–	(1,467)	–	–	–	(1,467)	(86)	(1,553)
Total comprehensive income for the year		–	–	–	(1,467)	17,199	–	–	15,732	1,313	17,045
Issue of new shares		19	363	–	–	–	–	–	382	–	382
Adjustment in respect of employee share schemes		–	–	408	–	–	–	–	408	–	408
Tax on employee share schemes		–	9	79	–	–	–	–	88	–	88
Dividends paid	12	–	–	–	–	(7,325)	–	–	(7,325)	(474)	(7,799)
Total transactions with owners		19	372	487	–	(7,325)	–	–	(6,447)	(474)	(6,921)
Balance at 1 January 2012		6,985	372	1,558	2,291	45,392	(31,700)	919	25,817	3,452	29,269
Profit for the year		–	–	–	–	17,584	–	–	17,584	1,321	18,905
Other comprehensive income											
Currency translation differences		–	–	–	(192)	–	–	–	(192)	(83)	(275)
Total comprehensive income for the year		–	–	–	(192)	17,584	–	–	17,392	1,238	18,630
Issue of new shares		102	1,678	–	–	–	–	–	1,780	–	1,780
Adjustment in respect of employee share schemes		–	453	(168)	–	–	–	–	285	–	285
Tax on employee share schemes		–	59	(152)	–	–	–	–	(93)	–	(93)
Dividends paid	12	–	–	–	–	(8,044)	–	–	(8,044)	(855)	(8,899)
Total transactions with owners		102	2,190	(320)	–	(8,044)	–	–	(6,072)	(855)	(6,927)
Balance at 30 December 2012		7,087	2,562	1,238	2,099	54,932	(31,700)	919	37,137	3,835	40,972
Company											
Balance at 3 January 2011		6,966	–	–	–	8,104	–	71,019	86,089		
Profit for the year		–	–	–	–	9,191	–	–	9,191		
Total comprehensive income for the year		–	–	–	–	9,191	–	–	9,191		
Issue of new shares		19	363	–	–	–	–	–	382		
Tax on employee share schemes		–	9	–	–	–	–	–	9		
Dividends paid	12	–	–	–	–	(7,325)	–	–	(7,325)		
Total transactions with owners		19	372	–	–	(7,325)	–	–	(6,934)		
Balance at 1 January 2012		6,985	372	–	–	9,970	–	71,019	88,346		
Profit for the year		–	–	–	–	9,222	–	–	9,222		
Total comprehensive income for the year		–	–	–	–	9,222	–	–	9,222		
Issue of new shares		102	1,678	–	–	–	–	–	1,780		
Adjustment in respect of employee share schemes		–	453	–	–	–	–	–	453		
Tax on employee share schemes		–	59	–	–	–	–	–	59		
Dividends paid	12	–	–	–	–	(8,044)	–	–	(8,044)		
Total transactions with owners		102	2,190	–	–	(8,044)	–	–	(5,752)		
Balance at 30 December 2012		7,087	2,562	–	–	11,148	–	71,019	91,816		

The notes on pages 56 to 76 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

	Notes	Group 2012 52 weeks £'000	Group 2011 52 weeks £'000	Company 2012 52 weeks £'000	Company 2011 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	24	40,682	41,688	–	–
Interest paid		(1,454)	(1,627)	(366)	(435)
Income tax (paid)/received		(6,804)	(8,341)	156	195
Net cash generated from/(used in) operating activities		32,424	31,720	(210)	(240)
Cash flows from investing activities					
Purchases of property, plant and equipment		(12,131)	(24,350)	–	–
Proceeds from sale of property, plant and equipment		329	21	–	–
Purchases of intangible assets		(295)	(873)	–	–
Interest received		199	258	–	–
Dividends received		–	–	9,500	9,500
Net cash (used in)/generated from investing activities		(11,898)	(24,944)	9,500	9,500
Cash flows from financing activities					
Proceeds from borrowings		1,230	9,309	–	–
Repayments of borrowings		(10,224)	(6,935)	–	–
Repayment of inter-company loan		–	–	(3,010)	(2,304)
Issue of ordinary shares		1,780	382	1,780	382
Dividends paid to owners of the parent		(8,044)	(7,325)	(8,044)	(7,325)
Dividends paid to non-controlling interests		(855)	(474)	–	–
Net cash used in financing activities		(16,113)	(5,043)	(9,274)	(9,247)
Net increase in cash and cash equivalents		4,413	1,733	16	13
Cash and cash equivalents at beginning of the year		27,345	26,141	14	1
Exchange losses on cash and cash equivalents		(330)	(529)	–	–
Cash and cash equivalents at end of the year	18	31,428	27,345	30	14

The notes on pages 56 to 76 are an integral part of these consolidated financial statements.

Notes to the financial statements

1 General information

Hilton Food Group plc ("the Company") and its subsidiaries (together "the Group") is a specialist retail meat packing business supplying major international food retailers in thirteen countries. The Company's subsidiaries are listed in 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 maintains a Premium Listing on the London Stock Exchange.

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

These consolidated financial statements were approved for issue on 27 March 2013.

The Company has taken advantage of the exemption in Section 408 Companies Act 2006 not to publish its individual income statement, statement of comprehensive income and related notes. Profit for the year dealt with in the income statement of Hilton Food Group plc amounted to £9,222,000 (2011: £9,191,000).

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 30 December 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 acquisition 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. Acquisition costs are expensed as incurred. 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 2012
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
Amendment to IAS 12 'Income taxes' on deferred tax (effective 1 January 2014). This amendment introduces a presumption that recovery of the carrying amount of an asset will, normally be, through sale.

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.

IAS 19 (revised 2011) 'Employee benefits' (effective 1 January 2013). This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2014). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Amendment to IAS 32 'Financial instruments: Presentation on offsetting financial assets and financial liabilities' (effective 1 January 2014). This along with the IFRS 7 amendment clarifies some of requirements for offsetting financial assets and financial liabilities on the balance sheet.

IFRS 10 'Consolidated financial statements' (effective 1 January 2014). This standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.

IFRS 11 'Joint arrangements' (effective 1 January 2014). This standard focuses on the rights and obligations of the arrangement, rather than its legal form with two types of joint arrangements being joint operations and joint ventures.

IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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.

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.

Notes to the financial statements
continued

2 Summary of significant accounting policies (continued)

Foreign currency translation

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

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

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

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting currency translation differences are recognised in other comprehensive income and disclosed as a separate component of equity in a foreign currency translation reserve.

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

Property, plant and equipment

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

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

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

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

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

2 Summary of significant accounting policies (continued)

Intangible assets

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

(b) Computer software
Acquired software licences are stated at cost less accumulated amortisation and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their useful economic lives of three to seven years.

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

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

Investments

Investments in subsidiary undertakings are carried at cost less provision for impairment.

Impairment of non-financial assets

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

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

Financial assets

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

(b) Recognition and measurement
Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

(c) Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

Inventories

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

Notes to the financial statements
continued

2 Summary of significant accounting policies (continued)

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

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

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

Share capital and reserves
Ordinary shares are classified as equity.

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

The share premium and employee share schemes reserve represents the premium on new shares issued in connection with and the fair value of share options outstanding under the Group's share schemes respectively.

The foreign currency translation reserve represents the cumulative currency differences arising on the translation of the Group's overseas subsidiaries.

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

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

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

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

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

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

Borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. The annual rentals under operating leases are charged to the income statement as incurred on a straight line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

Current and deferred income tax

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

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

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

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

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

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

Pensions and other post-employment benefits

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

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

Share-based payments

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

Grants

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

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

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

Dividend distribution

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

Notes to the financial statements
continued

3 Financial risk management

Financial risk factors

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

(a) Market risk

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

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

(iii) Cash flow interest rate risk
The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group seeks to manage exposure to interest rate risk through interest rate caps over the majority of its long term borrowings.

(iv) Sensitivity analysis

Group	Income statement £'000	2012 Equity £'000	Income statement £'000	2011 Equity £'000
Annual effect of a change in Group-wide interest rates by 0.5%	126	126	142	142
	–126	–126	–142	–142
Annual effect of a change in exchange rates to the GBP £ by 10%	2,165	5,442	2,260	5,043
	–1,788	–4,469	–1,883	–4,160

(b) Credit risk
The Group is exposed to credit risk in respect of credit exposures to its retail customer partners and banking arrangements. The Group, whose only customers comprise blue chip international supermarket retailers, has implemented policies that require appropriate credit checks on potential customers before sales are made and in relation to its banking partners. The Group's maximum exposure to credit risk is £97.1m (2011: £95.1m) as stated in note 17.

(c) Liquidity risk
The Group monitors regular cash forecasts to ensure that it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities and without breaching its banking covenants. The Group held significant cash and cash equivalents of £31.4m (2011: £27.3m) and maintains a mix of long term and short term debt finance.

3 Financial risk management (continued)

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

	2012 Borrowings £'000	2012 Finance leases £'000	2012 Trade and other payables £'000	2011 Borrowings £'000	2011 Finance leases £'000	2011 Trade and other payables £'000
Less than one year	12,178	327	136,691	11,686	333	133,940
Between one and two years	10,966	335	–	12,353	334	–
Between two and five years	12,493	1,057	–	21,911	1,050	–
Over five years	–	2,191	–	–	2,998	–

Capital risk management

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

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

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown on the consolidated balance sheet) less cash and cash equivalents. EBITDA is calculated as operating profit before significant non-recurring items, interest, tax, depreciation and amortisation. The gearing ratio continues to improve ending the year at 0.1 (2011: 0.4) such that no further action has been required.

Fair value estimation

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

4 Critical accounting estimates and judgements

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

During 2012 and 2011 there were no critical accounting estimates or judgements in relation to the application of the Group's accounting policies.

5 Segment information

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

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

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

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

Notes to the financial statements
continued

5 Segment information (continued)

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

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

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

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

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

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

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

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

6 Auditors' remuneration

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

Group	2012 £'000	2011 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	128	128
The auditing of financial statements of any associate of the Company	146	143
Services relating to taxation	80	68
All other non-audit services	52	54
Total fees payable to the Company's auditors and its associates	406	393
Fees payable to other auditors in respect of services provided to subsidiary undertakings	52	50

7 Expenses by nature

Group	2012 £'000	2011 £'000
Changes in inventories of finished goods and goods for resale	899	(783)
Raw materials and consumables used	848,848	794,123
Employee benefit expense (note 8)	66,727	67,932
Depreciation and amortisation – owned assets	14,198	16,703
Depreciation and amortisation – leased assets	179	200
Repairs and maintenance expenditure on property, plant and equipment	12,185	12,364
Trade receivables – impairment	5	(15)
Hire of plant and machinery	667	916
Transportation expenses	9,513	10,341
Operating lease payments	7,774	6,980
Foreign exchange losses	213	476
Other expenses	43,829	46,226
Total cost of sales, distribution costs and administrative expenses	1,005,037	955,463

Notes to the financial statements
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8 Employee benefit expense

Group	2012 £'000	2011 £'000
Staff costs during the year		
Wages and salaries	56,030	57,161
Social security costs	7,647	7,891
Share options granted to Directors and employees	285	408
Other pension costs	2,765	2,472
	66,727	67,932

Group	2012 Number	2011 Number
Average number of persons employed (including Executive Directors) during the year by activity		
Production	1,894	1,817
Administration	319	364
	2,213	2,181

Group	2012 £'000	2011 £'000
Key management compensation (including Directors)		
Salaries and short term employee benefits	3,013	3,600
Termination payments	282	–
Post-employment benefits	210	222
Share-based payments	199	286
	3,704	4,108

Group	2012 £'000	2011 £'000
Directors' emoluments		
Aggregate emoluments including termination payments	2,082	2,367
Company contribution to money purchase pension scheme	138	154
	2,220	2,521

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

There are no other employees of the Company other than the Directors. Employee expense of the Company amounted to £nil (2011: £nil).

9 Finance income and costs

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

10 Income tax expense

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

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the standard rate of UK Corporation Tax of 24.5% (2011: 26.5%) applied to profits of the consolidated entities as follows:

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

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

11 Earnings per share

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

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

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

12 Dividends

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

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

Notes to the financial statements
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13 Property, plant and equipment

Group	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 3 January 2011	24,737	116,170	10,213	379	151,499
Exchange adjustments	(330)	(3,089)	(299)	(7)	(3,725)
Additions	342	16,969	1,754	14	19,079
Disposals	(12)	(1,739)	(605)	(35)	(2,391)
At 1 January 2012	24,737	128,311	11,063	351	164,462
Accumulated depreciation					
At 3 January 2011	10,480	74,536	8,517	130	93,663
Exchange adjustments	44	(1,816)	(283)	(5)	(2,060)
Charge for the year	2,126	12,642	1,074	81	15,923
Disposals	–	(1,624)	(591)	(28)	(2,243)
At 1 January 2012	12,650	83,738	8,717	178	105,283
Net book amount					
At 3 January 2011	14,257	41,634	1,696	249	57,836
At 1 January 2012	12,087	44,573	2,346	173	59,179
Cost					
At 2 January 2012	24,737	128,311	11,063	351	164,462
Exchange adjustments	(281)	(940)	81	3	(1,137)
Additions	449	10,887	679	116	12,131
Disposals	–	(451)	(1,164)	(192)	(1,807)
At 30 December 2012	24,905	137,807	10,659	278	173,649
Accumulated depreciation					
At 2 January 2012	12,650	83,738	8,717	178	105,283
Exchange adjustments	(290)	(256)	145	2	(399)
Charge for the year	1,905	11,355	712	69	14,041
Disposals	–	(155)	(1,164)	(119)	(1,438)
At 30 December 2012	14,265	94,682	8,410	130	117,487
Net book amount					
At 30 December 2012	10,640	43,125	2,249	148	56,162

Land and buildings are held under short leaseholds. Details of bank borrowings secured on assets of the Group are given in note 19. Depreciation charges are included within administrative expenses in the income statement.

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

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

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

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

14 Intangible assets

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

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

15 Investments in subsidiary undertakings

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

Company	2012 £'000	2011 £'000
At 1 January 2012 and 30 December 2012	102,985	102,985

Notes to the financial statements
continued

16 Inventories

Group	2012 £'000	2011 £'000
Raw materials and consumables	17,796	17,478
Finished goods and goods for resale	4,089	4,988
	21,885	22,466

The cost of inventories recognised as an expense and included in cost of sales amounted to £849,747,000 (2011: £793,340,000). The Group charged £150,000 in respect of inventory write-downs (2011: £962,000). The amount charged has been included in cost of sales in the income statement.

17 Trade and other receivables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade receivables	97,190	95,153	–	–
Less: provision for impairment of trade receivables	(51)	(46)	–	–
Trade receivables – net	97,139	95,107	–	–
Amounts owed by Group undertakings	–	–	115	156
Amounts owed by related parties (see note 27)	326	133	–	–
Other receivables	5,146	4,277	–	–
Prepayments	5,200	4,516	–	–
	107,811	104,033	115	156

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

Currency	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
UK Pound	22,413	17,479	115	156
Euro	43,883	42,168	–	–
Swedish Krona	21,616	20,098	–	–
Danish Krone	13,830	17,412	–	–
Polish Zloty	6,069	6,876	–	–
	107,811	104,033	115	156

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

Trade receivables impaired and the amount of the impairment provision was £51,000 (2011: £46,000). The individually impaired receivables mainly relate to invoices which are in dispute. It was assessed that a portion of the receivables is expected to be recovered. The trade receivables that were impaired were all overdue by more than six months. There were no other trade receivables which were overdue. The other classes within trade and other receivables do not contain impaired assets. The trade receivables which are not impaired or overdue are all less than 30 days old.

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

Group	2012 £'000	2011 £'000
At 1 January 2012	46	63
Provision for receivables impairment	147	151
Receivables written off during the year as uncollectable	(141)	(166)
Exchange differences	(1)	(2)
At 30 December 2012	51	46

18 Cash and cash equivalents

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash at bank and on hand	31,428	27,345	30	14

19 Borrowings

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

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

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

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

The Group reorganisation loan of £18,710,000 (2011: £24,711,000) is repayable in quarterly instalments by 28 February 2017. Interest is charged at LIBOR plus 1.75% subject to interest rate caps over £17m of borrowings where LIBOR is capped at 4.5%. Other bank borrowings are repayable by 2013 to 2017 with interest charged at EURIBOR plus 1.75%.

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

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

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

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

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

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The fair value of the Group's finance lease liabilities is £4,028,000 (2011: £4,406,000). The fair values are based on cash flows discounted using the European Central Bank benchmark main refinancing operations fixed interest rate of 0.75% (2011: 1.0%).

Notes to the financial statements
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20 Trade and other payables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade payables	120,393	112,984	–	–
Amounts owed to Group undertakings	–	–	11,399	14,940
Amounts owed to related parties (see note 27)	6	5,662	–	–
Social security and other taxes	5,081	5,058	–	–
Accruals and deferred income	16,292	15,294	2	2
	141,772	138,998	11,401	14,942

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

21 Deferred income tax

Group	Accelerated capital allowances £'000	Other timing differences £'000	Deferred income tax assets total £'000	Deferred income tax liabilities: Accelerated capital allowances £'000
At 3 January 2011	989	32	1,021	(1,037)
Exchange differences	–	–	–	(46)
Income statement (charge)/credit	(380)	413	33	442
Adjustment in respect of employee share schemes	–	80	80	–
At 1 January 2012	609	525	1,134	(641)
Exchange differences	21	–	21	(12)
Income statement credit/(charge)	161	(53)	108	(926)
Adjustment in respect of employee share schemes	–	(152)	(152)	–
At 30 December 2012	791	320	1,111	(1,579)

Other timing differences principally relate to share-based payments. The deferred income tax liability above includes £400,000 (2011: £400,000) which is estimated to reverse within 12 months. The deferred income tax asset above is not expected to reverse within 12 months.

22 Ordinary shares

	Number of shares (thousands)	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Issued and fully paid ordinary shares of 10p each					
At 1 January 2012	69,849	6,985	6,966	6,985	6,966
Issue of new shares relating to employee incentive schemes	1,017	102	19	102	19
At 30 December 2012	70,866	7,087	6,985	7,087	6,985

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

23 Share-based payment

Executive share option scheme

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

All employee sharesave scheme

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

Long Term Incentive Plan (LTIP)

Under the Group's Long Term Incentive Plan nil cost share options are granted to Executive Directors and to selected senior employees. The options are exercisable starting three years from the grant date subject to the Group achieving a minimum earnings per share compound growth target. Awards will vest on a sliding scale with 25% of the maximum award applied at the minimum EPS growth target of 6% per year with the full award vesting where EPS growth is at least 14.5% per year. The options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Executive share option		Sharesave		Long Term Incentive	
	Options ('000)	Exercise price (pence)	Options ('000)	Exercise price (pence)	Options ('000)	Exercise price (pence)
At 3 January 2011	3,752	203.34	665	173.57	–	–
Exercised	(192)	198.77	–	–	–	–
Forfeited	(100)	207.61	–	–	–	–
At 1 January 2012	3,460	203.47	665	173.57	–	–
Granted	–	–	–	–	1,147	–
Exercised	(640)	191.54	(377)	147.00	–	–
Forfeited	(46)	234.55	(110)	147.00	–	–
At 30 December 2012	2,774	205.70	178	246.00	1,147	–

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

Expiry date	Type of scheme	Status	Exercise price (pence)	2012 ('000)	Number options 2011 ('000)
June 2012	Sharesave	Exercisable	147.00	–	487
December 2013	Sharesave	Not exercisable	246.00	178	178
May 2018	Executive share option	Exercisable	199.50	762	979
May 2019	Executive share option	Exercisable	174.75	1,072	1,426
May 2020	Executive share option	Not exercisable	246.00	940	1,055
June 2022	Long Term Investment Plan	Not exercisable	nil cost	1,147	–

The fair value of options granted during 2012 determined using the Black-Scholes valuation model was 228p per option. The significant inputs into the model were the exercise price shown above, volatility of 31% based on a comparison of similar listed companies, dividend yield of 4%, an expected option life of four years, and an annual risk-free interest rate of 1.69%. See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

Notes to the financial statements
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24 Cash generated from operations

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

The parent company has no operating cash flows.

25 Commitments

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

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Property, plant and equipment	451	3,433	–	–

(b) Operating lease commitments
The Group leases various properties under non-cancellable operating lease arrangements.

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

	Land and buildings		Plant and equipment	
Group	2012 £'000	2011 £'000	2012 £'000	2011 £'000
No later than one year	7,189	6,752	883	933
Later than one year and no later than five years	15,641	16,742	1,792	1,928
Later than five years expiring 2018 to 2023	5,925	8,018	23	50
	28,755	31,512	2,698	2,911

26 Subsidiary undertakings

The principal subsidiary undertakings of the Group are:

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

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

27 Related party transactions and ultimate controlling party

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

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

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

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

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

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

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

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

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

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

Details of key management compensation are given in note 8.

Notes to the financial statements
continued

28 Events after the reporting period

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

29 Financial instruments by category

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

	Loans and receivables	
Group	2012 £'000	2011 £'000
Assets as per balance sheet		
Trade and other receivables	102,611	99,517
Cash and cash equivalents	31,428	27,345
	134,039	126,862

	Other financial liabilities at amortised cost	
Group	2012 £'000	2011 £'000
Liabilities as per balance sheet		
Trade and other payables	136,691	133,940
Borrowings	36,630	46,055
	173,321	179,995

In addition to the above, amounts owed to the Company by Group undertakings of £115,000 (2011: £156,000) are classified as 'loans and receivables' and amounts owed by the Company to Group undertakings of £11,399,000 (2011: £14,940,000) are classified as 'other financial liabilities at amortised cost'.

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