Europe's leading specialist retail meat packing business

Half year report 2012




Business overview

Hilton Food Group plc, the leading specialist retail meat packing business supplying major international food retailers in Europe, is pleased to announce its interim results for the 28 weeks to 15 July 2012.

"I am pleased to report that, despite the adverse effect of exchange rate movements, an economic environment across Europe which has remained both challenging and uncertain and continued high raw material meat prices, our performance over the first 28 weeks of 2012 has remained steady. We have achieved further growth in volumes and turnover, whilst continuing to actively support our customers' growth in very competitive markets."

Robert Watson OBE
Chief Executive

Financial highlights

Another period of strong performance

	28 weeks to 15 July 2012	28 weeks to 17 July 2011	Percentage growth	52 weeks to 1 Jan 2012
Volume (tonnes)	**116,179**	105,305	10.3%	209,086
Turnover	**£543.0m**	£496.2m	9.4%	£981.3m
Operating profit	**£13.3m**	£13.2m	0.5%	£25.9m
Profit after tax	**£9.6m**	£9.6m	0.4%	£18.6m
Free cash flow before dividends and financing	**£8.6m**	£-1.4m		£6.8m
Net debt	**£14.9m**	£24.8m		£18.7m
Earnings per share	**12.8p**	12.8p		24.7p
Interim dividend to be paid on 30 November 2012	**3.4p**	3.1p	9.7%	11.1p

- → Further volume and turnover growth achieved, despite a challenging economic environment
- → Continuing pressure on consumer spending, with the economic backdrop and higher meat prices leading to further down trading to less expensive meat cuts
- → Growth in operating profit also held back by the effect of adverse exchange rate movements (reducing operating profit by £0.6m, as compared with the first 28 weeks of 2011)
- → Hilton's new automated store order picking facility for Coop Danmark commenced operation in May 2012, with volumes handled now building up steadily
- → Strong cash generation enabling net debt to be reduced by 40%, from £24.8m in July 2011 to £14.9m in July 2012, with the initial investment in the Danish plant now completed
- → Robust balance sheet underpins growth in interim dividend from 3.1p to 3.4p, an increase of nearly 10%

Financial review

The Group is presenting its interim results for the 28 weeks to 15 July 2012, together with comparative information for the 28 weeks to 17 July 2011 and the 52 weeks to 1 January 2012. The interim results of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Underlying trading performance has remained sound, despite economic conditions which have remained difficult across most of our markets. Volumes grew overall by 10.3%, including the first half of a full year's trading from our new Danish facility, offset by the continuing impact of higher raw material meat prices on consumer demand. Turnover rose by 9.4% to £543.0m, as compared to £496.2m in the corresponding 28 week period last year, with the recovery of higher raw material meat prices being offset by the impact of adverse exchange rate movements and continuing consumer down trading to less expensive meat cuts. Further details of turnover and volume growth by segment are detailed in the Review of operations, below.

The operating profit margin was 2.4%, compared with 2.7% in the first 28 weeks of 2011, reflecting continuing consumer down trading in a challenging economic environment. Excluding the impact of adverse exchange rate movements, the operating profit margin would have been 2.5%.

Operating profit for the first 28 weeks of 2012, at £13.3m, was £0.1m (0.5%) ahead of the operating profit of £13.2m earned in the corresponding period in 2011. In the first 28 weeks of 2012 the average Euro to Sterling exchange rate was 1.22, as compared with 1.15 in the corresponding period last year and there were also reductions in the relative values of the Swedish Krona, Danish Krone and the Polish Zloty, which together negatively impacted operating profit growth by £0.6m.

Net finance costs, at £0.7m, were slightly higher than in the corresponding period last year (2011: £0.6m), reflecting a full half year of interest cost on the borrowings to finance our new Danish facility, with sterling and euro inter-bank offered rates remaining at low levels. Interest cover was 18 times (21 times in the corresponding period last year).

The tax charge for the period was £2.9m (2011: £3.0m), representing an effective underlying rate of tax of 23.1%, as compared with 23.6% last year. Profit after taxation was unchanged at £9.6m (2011: £9.6m).

Basic earnings per share in the first 28 weeks of 2012 were in line with those for the first half of last year, at 12.8p, with a higher level of profit attributable to ordinary shareholders being offset by an increase in the average number of ordinary shares in issue, following executive and save as you earn share option exercises.

The Directors will declare an interim dividend of 3.4p per share, amounting to approximately £2.41m (compared with an interim dividend of 3.1p per share in 2011 amounting to £2.16m) to be paid on 30 November 2012, to shareholders on the register at close of business on 2 November 2012.

The Group generated £8.6m of free cash flow, before dividends and financing, as compared to an outflow of £1.4m in the corresponding period last year. This reflected much lower capital expenditure, at £4.7m (compared with £18.9m in the first 28 weeks of 2011 of which £12.1m comprised expenditure on equipment for Denmark), following the completion of the initial Danish investment. Group borrowings, net of cash balances of £26.5m, were £14.9m at 15 July 2012 (£18.7m at 1 January 2012 and £24.8m at 17 July 2011).

The principal risks and uncertainties facing the Group's businesses

Hilton has well developed structures and processes for identifying and mitigating the key risks which its businesses face. The most significant risks and uncertainties faced by the Group, together with the Group's risk management processes are detailed in the Business review on pages 22 to 25 of the Hilton Food Group plc Annual Report and financial statements 2011. The principal risks and uncertainties identified in that report, which remain unchanged, were:

- The Group is dependent on a small number of customers who exercise significant buying power and influence;
- The Group's growth potential is dependent on the success of its customers and the future growth of their packed meat sales;
- The Group's business is dependent on the macroeconomic environment and levels of consumer spending in the countries in which it operates;
- The Group's business is reliant on a number of key personnel and its ability to manage growth successfully;
- The Group's business is dependent on maintaining a wide and flexible global meat supply base; and
- Outbreaks of disease and feed contamination affecting livestock and media concerns can impact the Group's sales.

The risks and uncertainties outlined out above had no material adverse impact on the results for the 28 weeks to 15 July 2012, aside from the continuing effects of the challenging macroeconomic environment across Europe on consumer spending levels, as identified in this interim management report. These risks and uncertainties are expected to remain unchanged with respect to the last 24 weeks of the 2012 financial year, over which the economic environment across Europe is expected to remain relatively uncertain.

Related parties

Transactions with related parties, which comprise principally purchases of raw material meat under normal market conditions, are covered in note 11 to the condensed consolidated interim financial information. The nature of these transactions is unchanged from previous years and from 16 May 2012 there are no longer any related parties.

Forward looking information

This interim management report contains certain forward looking statements. These statements 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, quite simply because they relate to events and depend on circumstances that will occur in the future.

Going concern

The Group's bank borrowings are detailed in note 9 to the condensed consolidated interim financial information and the principal banking facilities which support the Group's existing and contracted new business are committed, with no renewal required until 2015. The Group is in compliance with all its banking covenants. Future geographical expansion which is not yet contracted, and which is not built into internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities in the timescales required.

The financial position of the Group including its cash flows, liquidity position and borrowings are described above, with its business activities and the factors likely to affect its future development, performance and position being covered in the Review of operations, below. As at the date of this report, the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, the condensed consolidated interim financial information has been prepared on a going concern basis.

Review of operations

The broad spread of the Group's businesses across Continental Europe represents a significant strength, in terms of reducing Hilton's dependence on any one European economy, during less certain and more unpredictable economic times. It does, however, mean that its profitability is sensitive to changes in the exchange rates of the currencies of the countries in which the Group trades. Adverse movements in currencies in the period had the effect of reducing operating profit by £0.6m, as compared to the corresponding period last year.

Western Europe

Operating profit of £11.9m (2011: £12.1m) on turnover of £493.2m (2011: £452.2m)

Further turnover and volume growth was achieved in Western Europe, driven by the inclusion of the first full 28 weeks trading from our new Danish facility. Volume growth was 9.5%, with turnover growth of 9.0%, the latter reflecting the increased Danish turnover and the recovery of higher raw material meat costs, offset by the impact of adverse exchange rate movements and consumer down trading. The macroeconomic environment has remained competitive in Western Europe, with consumer spending remaining under pressure and continued consumer down trading, but Hilton continues to focus strongly on both product and packaging development and extending the range of products supplied to its customers in order to continue to drive its business forward.

The automated store order picking facility for Coop Danmark came on stream in May 2012, with a steady volume build up now in progress.

Central Europe

Operating profit of £1.4m (2011: £1.1m) on turnover of £49.8m (2011: £44.0m)

In Central Europe, our multi customer business, which has expanded extremely rapidly in recent years, achieved further strong growth in the first 28 weeks of 2012, despite very competitive and price sensitive markets. Overall volume growth was 15.0%, with turnover growth of 13.3%, the latter being materially impacted by the effect of adverse exchange rate movements. The exchange rate of the Polish Zloty against Sterling has depreciated by 13%, as compared with last year.

Products are supplied to Ahold stores in the Czech Republic and Slovakia, to Tesco stores in the Czech Republic, Hungary, Poland and Slovakia and to Rimi stores in Latvia, Lithuania and Estonia. The recent investments made to more economically manage the increased complexity of the business, including the robotisation of its warehouse facilities, are now well bedded in.

Investment in our facilities

Hilton continues to invest in all its facilities to maintain the state of the art levels required to service its customers' growth, progressively extend the range of products supplied to those customers and deliver both first class service levels and continuing increases in production efficiency. This investment ensures that we can achieve low unit costs and competitive selling prices at increasingly high levels of production throughput. Capital expenditure in the period was £4.7m (£18.9m in the first 28 weeks of 2011, including £12.1m on equipment for the now completed new facility in Denmark).

Employees

The sound progress made by the Group in the first 28 weeks of 2012 in a difficult economic climate is once again attributable to the quality of the workforces and management teams we have in each country. On behalf of the Board, we would like to thank them for their continuing commitment, enthusiasm, professionalism and support.

Future outlook

Hilton has continued to deliver volume and turnover growth against an uncertain economic backdrop. In such an environment, consumers' drive for value is likely to continue, but Hilton, with modern well invested facilities, a broad geographic customer spread and flexible procurement capabilities, continues to remain well positioned to cope with these challenges.

Against this challenging background, with pressures on consumer expenditure, high meat prices and consumer down trading expected to continue, the Group is likely in 2012, to deliver levels of profitability similar to those achieved in 2011.

Hilton continues to explore opportunities for further geographical expansion and to expand its existing businesses through new product development and range extension, so as to underpin its continued progress.

Sir David Naish DL
Non-Executive Chairman

Robert Watson OBE
Chief Executive

10 September 2012

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge:

(a) the attached condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

(b) the Financial review and Review of operations which constitute the 'interim management report' include a fair review of the information required by DTR 4.2.7R (indication of important events during the first 28 weeks and description of principal risks and uncertainties for the remaining 24 weeks of the year); and

(c) the attached condensed consolidated interim financial information includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and any changes therein).

The Directors of Hilton Food Group plc were listed in the Hilton Food Group plc annual report and financial statements 2011 on pages 28 and 29. Colin Patten stepped down as a Director on 16 May 2012. There have been no other changes in Directors since 1 January 2012, a list of which is maintained on the Hilton Food Group plc website at www.hiltonfoodgroupplc.com.

On behalf of the Board

Robert Watson OBE
Chief Executive

Nigel Majewski
Finance Director

Income statement

Continuing operations	Notes	28 weeks ended 15 July 2012 £'000	28 weeks ended 17 July 2011 £'000
Revenue	4	542,988	496,242
Cost of sales		(476,195)	(430,454)
Gross profit		66,793	65,788
Distribution costs		(4,791)	(5,382)
Administrative expenses		(48,743)	(47,212)
Operating profit	4	13,259	13,194
Finance income		86	121
Finance costs		(809)	(747)
Finance costs – net		(723)	(626)
Profit before income tax		12,536	12,568
Income tax expense	5	(2,897)	(2,964)
Profit for the period		9,639	9,604
Profit attributable to:			
Owners of the parent		8,964	8,930
Non-controlling interests		675	674
		9,639	9,604
Earnings per share for profit attributable to owners of the parent			
– Basic (pence)	7	12.8	12.8
– Diluted (pence)	7	12.6	12.6

Statement of comprehensive income

	28 weeks ended 15 July 2012 £'000	28 weeks ended 17 July 2011 £'000
Profit for the period	9,639	9,604
Other comprehensive income		
Currency translation differences	(2,224)	579
Other comprehensive income for the period net of tax	(2,224)	579
Total comprehensive income for the period	7,415	10,183
Total comprehensive income attributable to:		
Owners of the parent	6,948	9,446
Non-controlling interests	467	737
	7,415	10,183

The notes on pages 11 to 15 form an integral part of this condensed consolidated interim financial information.

Balance sheet

	Notes	15 July 2012 £'000	17 July 2011 £'000	1 January 2012 £'000
Assets				
Non-current assets				
Property, plant and equipment	8	53,551	63,942	59,179
Intangible assets	8	1,676	2,135	1,907
Deferred income tax assets		1,081	1,007	1,134
		56,308	67,084	62,220
Current assets				
Inventories		21,891	23,160	22,466
Trade and other receivables		103,671	92,926	104,033
Cash and cash equivalents		26,507	25,401	27,345
		152,069	141,487	153,844
Total assets		208,377	208,571	216,064
Equity				
Share capital	10	7,082	6,978	6,985
Share premium		1,969	231	372
Employee share schemes reserve		1,711	1,358	1,558
Foreign currency translation reserve		275	4,274	2,291
Retained earnings		48,721	39,287	45,392
Reverse acquisition reserve		(31,700)	(31,700)	(31,700)
Merger reserve		919	919	919
Capital and reserves attributable to owners of the parent		28,977	21,347	25,817
Non-controlling interests		3,052	2,876	3,452
Total equity		32,029	24,223	29,269
Liabilities				
Non-current liabilities				
Borrowings	9	30,119	41,491	35,615
Deferred income tax liabilities		935	1,039	641
		31,054	42,530	36,256
Current liabilities				
Borrowings	9	11,283	8,684	10,440
Trade and other payables		133,815	131,492	138,998
Current income tax liabilities		196	1,642	1,101
		145,294	141,818	150,539
Total liabilities		176,348	184,348	186,795
Total equity and liabilities		208,377	208,571	216,064

The notes on pages 11 to 15 form an integral part of this condensed consolidated interim financial information.

Statement of changes in equity

Group	Notes	Share capital £'000	Share premium £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
		Attributable to owners of the parent									
Balance at 3 January 2011		6,966	–	1,071	3,758	35,518	(31,700)	919	16,532	2,613	19,145
Comprehensive income											
Profit for the period		–	–	–	–	8,930	–	–	8,930	674	9,604
Other comprehensive income											
Currency translation differences		–	–	–	516	–	–	–	516	63	579
Total comprehensive income		–	–	–	516	8,930	–	–	9,446	737	10,183
Transactions with owners											
Issue of new shares	10	12	231	–	–	–	–	–	243	–	243
Adjustment in respect of employee share schemes		–	–	287	–	–	–	–	287	–	287
Dividends paid	6	–	–	–	–	(5,161)	–	–	(5,161)	(474)	(5,635)
Total transactions with owners	–	12	231	287	–	(5,161)	–	–	(4,631)	(474)	(5,105)
Balance at 17 July 2011		6,978	231	1,358	4,274	39,287	(31,700)	919	21,347	2,876	24,223
Balance at 2 January 2012		6,985	372	1,558	2,291	45,392	(31,700)	919	25,817	3,452	29,269
Comprehensive income											
Profit for the period		–	–	–	–	8,964	–	–	8,964	675	9,639
Other comprehensive income											
Currency translation differences		–	–	–	(2,016)	–	–	–	(2,016)	(208)	(2,224)
Total comprehensive income		–	–	–	(2,016)	8,964	–	–	6,948	467	7,415
Transactions with owners											
Issue of new shares	10	97	1,597	–	–	–	–	–	1,694	–	1,694
Adjustment in respect of employee share schemes		–	–	153	–	–	–	–	153	–	153
Dividends paid	6	–	–	–	–	(5,635)	–	–	(5,635)	(867)	(6,502)
Total transactions with owners		97	1,597	153	–	(5,635)	–	–	(3,788)	(867)	(4,655)
Balance at 15 July 2012		7,082	1,969	1,711	275	48,721	(31,700)	919	28,977	3,052	32,029

The notes on pages 11 to 15 form an integral part of this condensed consolidated interim financial information.

Cash flow statement

	28 weeks ended 15 July 2012 £'000	28 weeks ended 17 July 2011 £'000
Cash flows from operating activities		
Cash generated from operations	18,141	22,772
Interest paid	(809)	(747)
Income tax paid	(4,123)	(4,636)
Net cash generated from operating activities	13,209	17,389
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,734)	(18,308)
Proceeds from sale of property, plant and equipment	98	14
Purchase of intangible assets	(20)	(634)
Interest received	86	121
Net cash used in investing activities	(4,570)	(18,807)
Cash flows from financing activities		
Proceeds from borrowings	1,213	9,257
Repayments of borrowings	(4,636)	(3,535)
Issue of new shares	1,694	243
Dividends paid to company shareholders	(5,635)	(5,161)
Dividends paid to non-controlling interests	(867)	(474)
Net cash (used in)/generated from financing activities	(8,231)	330
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	408	(1,088)
Cash, cash equivalents and bank overdrafts at start of period	27,345	26,141
Exchange (losses)/gains on cash, cash equivalents and bank overdrafts	(1,246)	348
Cash, cash equivalents and bank overdrafts at end of period	26,507	25,401

The notes on pages 11 to 15 form an integral part of this condensed consolidated interim financial information.

Notes to the interim financial information

1 General information

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

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

The Company maintains a Premium Listing on the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 10 September 2012.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 1 January 2012 were approved by the Board of Directors on 28 March 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

This condensed consolidated interim financial information for the 28 weeks ended 15 July 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual report and financial statements for the 52 weeks ended 1 January 2012 which have been prepared in accordance with IFRS as adopted by the European Union.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual report and financial statements for the 52 weeks ended 1 January 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

International Financial Reporting Standards

(a) Standards, amendments and interpretations effective in 2012 but not relevant to the Group's operations

IFRS 7 (amendment), 'Financial instruments: Transfers of financial assets'.

Notes to the interim financial information continued

4 Segment information

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

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

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

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

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

	Total segment revenue £'000	Operating profit/ segment result £'000
28 weeks ended 15 July 2012		
Western Europe	493,156	11,914
Central Europe	49,832	1,345
Total	542,988	13,259
28 weeks ended 17 July 2011		
Western Europe	452,266	12,101
Central Europe	43,976	1,093
Total	496,242	13,194

	15 July 2012 £'000	17 July 2011 £'000	1 January 2012 £'000
Total assets			
Western Europe	183,636	185,638	194,376
Central Europe	23,660	21,926	20,554
Total segment assets	207,296	207,564	214,930
Deferred income tax assets	1,081	1,007	1,134
Total assets per balance sheet	208,377	208,571	216,064

There are no significant seasonal fluctuations.

5 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the 52 weeks to 30 December 2012 is 23.1%. The estimated average annual tax rate for the 28 weeks ended 17 July 2011 was 23.6%.

6 Dividends

	28 weeks ended 15 July 2012 £'000	28 weeks ended 17 July 2011 £'000
Final dividend paid 8.0p (2011: 7.4p) per ordinary share	5,635	5,161
Total dividends paid	5,635	5,161

The Directors will declare an interim dividend of 3.4 p per share payable on 30 November 2012 to shareholders who are on the register at 2 November 2012. This interim dividend, amounting to £2.41m has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the 52 weeks to 30 December 2012.

7 Earnings per share

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

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

		28 weeks ended 15 July 2012		28 weeks ended 17 July 2011	
		Basic	Diluted	Basic	Diluted
Profit attributable to equity holders of the Company	(£'000)	8,964	8,964	8,930	8,930
Weighted average number of ordinary shares in issue	(thousands)	70,272	70,272	69,690	69,690
Adjustment for share options	(thousands)	–	727	–	1,160
Adjusted weighted average number of ordinary shares	(thousands)	70,272	70,999	69,690	70,850
Basic and diluted earnings per share	(pence)	12.8	12.6	12.8	12.6

Notes to the interim financial information continued

8 Property, plant and equipment and intangible assets

	Property, plant and equipment £'000	Intangible assets £'000
28 weeks ended 17 July 2011		
Opening net book amount as at 3 January 2011	57,836	2,063
Exchange adjustments	907	22
Additions	13,037	634
Disposals	(15)	–
Depreciation and amortisation	(7,823)	(584)
Closing net book amount as at 17 July 2011	63,942	2,135
28 weeks ended 15 July 2012		
Opening net book amount as at 2 January 2012	**59,179**	**1,907**
Exchange adjustments	**(2,539)**	**(47)**
Additions	**4,734**	**20**
Disposals	**(110)**	**–**
Depreciation and amortisation	**(7,713)**	**(204)**
Closing net book amount as at 15 July 2012	**53,551**	**1,676**

Additions comprise investments required to further mechanise our processing activities together with expenditure on efficiency improvement, equipment modernisation and continuing expenditure on the Danish automated store order picking facility. At 15 July 2012 commitments for the purchase of property, plant and equipment totalled £1,976,000.

9 Borrowings

	15 July 2012 £'000	17 July 2011 £'000	1 January 2012 £'000
Current	**11,283**	8,684	10,440
Non-current	**30,119**	41,491	35,615
Total borrowings	**41,402**	50,175	46,055

Movements in borrowings is analysed as follows:

	28 weeks ended 15 July 2012 £'000	28 weeks ended 17 July 2011 £'000	52 weeks ended 1 January 2012 £'000
Opening amount	**46,055**	44,187	44,187
Exchange adjustments	**(1,230)**	266	(506)
New borrowings	**1,213**	9,257	9,309
Repayment of borrowings	**(4,636)**	(3,535)	(6,935)
Closing amount	**41,402**	50,175	46,055

10 Share capital

	Number of shares (thousands)	Ordinary shares £'000	Total £'000
At 3 January 2011	69,657	6,966	6,966
Issue of new shares on exercise of employee share options	122	12	12
At 17 July 2011	69,779	6,978	6,978
At 2 January 2012	69,849	6,985	6,985
Issue of new shares on exercise of employee share options	970	97	97
At 15 July 2012	70,819	7,082	7,082

11 Related party transactions

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 were as follows:

	28 weeks ended 15 July 2012 £'000	28 weeks ended 17 July 2011 £'000	52 weeks ended 1 January 2012 £'000
Hilton Meats (International) Limited – sales	699	1,758	2,435
Hilton Meats (International) Limited – purchases	43,135	28,290	55,500
Romford Wholesale Meats Limited – purchases	–	27,805	47,104
RWM Dorset Limited – purchases	–	8,395	15,795

Amounts owing to and from related parties were as follows:

	15 July 2012 £'000	17 July 2011 £'000	1 January 2012 £'000
Amounts owing to related parties			
Hilton Meats (International) Limited	4,521	3,829	2,911
Romford Wholesale Meats Limited	–	4,165	1,930
RWM Dorset Limited	–	819	821
Amounts owing from related parties			
Hilton Meats (International) Limited	94	166	133

The ultimate shareholders of all 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 period. Romford Wholesale Meats Limited and RWM Dorset Limited ceased to be related parties during 2011.

Auditors' review report

Independent review report to Hilton Food Group plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial information in the interim financial report for the 28 weeks ended 15 July 2012 which comprises the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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 review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the interim financial report for the 28 weeks ended 15 July 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Belfast

10 September 2012

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

Shareholder information

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