**Tuesday 13 September 2011**

# Hilton Food Group plc

## Interim results for the 28 weeks to 17 July 2011

## Another period of strong performance

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 17 July 2011.

| | 28 weeks to 17 July 2011 | 28 weeks to 18 July 2010 | Percentage growth | | 52 weeks to 2 Jan 2011 |
|---|---|---|---|---|---|
| Volume (tonnes) | 105,305 | 102,688 | 2.5% | | 197,170 |
| Turnover | £496.2m | £449.9m | 10.3% | | £864.2m |
| Operating profit | £13.2m | £12.2m | 8.6% | | £23.3m |
| Profit before tax | £12.6m | £11.5m | 8.8% | | £22.2m |
| Cash generated from operations | £22.8m | £20.8m | 9.6% | | £34.1m |
| Net debt | £24.8m | £16.0m | | | £18.0m |
| Earnings per share | 12.8p | 11.8p | 8.5% | | 22.6p |
| Interim dividend to be paid in December 2011 | 3.1p | 2.8p | 10.7% | | 10.2p |

- Hilton has continued to benefit from its geographically diversified business model; 74% of the Group's revenues are now earned outside the UK

- The Group recorded a resilient overall performance, despite continuing pressure on consumer spending, with earnings growth showing good momentum

- Higher meat prices restrained volumes during the period but contributed to strong turnover growth

- Hilton's newest facility in Denmark commenced production on 30 March 2011, with volumes now building up rapidly

- Strong balance sheet and cash generation enabled the Group to fund continuing investment in its production facilities. Net debt increased as expected from £18.0m to £24.8m, reflecting the investment in the new Danish plant

**Commenting, Robert Watson, Chief Executive of Hilton Food Group plc said:**

*"In these difficult times, Hilton continued to benefit from its geographically diversified business model. Despite the economic environment across Europe and rising raw material meat prices, trading over the first 28 weeks of 2011 has been strong. We have achieved further growth in turnover and profits, while continuing to actively support our customers' growth in very competitive markets".*

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## Financial review

The Group is presenting its interim results for the 28 weeks to 17 July 2011, together with comparative information for the 28 weeks to 18 July 2010 and the 52 weeks to 2 January 2011. 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 strong, despite challenging economic conditions across a number of our markets. Turnover rose by over 10% to £496.2m, as compared to £449.9m in the corresponding 28 week period last year. The increase reflected the recovery of higher raw material costs and a favourable impact from currency translation, which accounted for 2% of the turnover increase.

Volumes grew overall by under 3%, despite the impact of higher raw material meat prices and continuing downward pressure on consumer spending. Further details of turnover and volume growth by segment are detailed in the Review of operations, below.

The operating profit margin was 2.7%, unchanged from that in the first 28 weeks of 2010.

Operating profit for the first 28 weeks of 2011, at £13.2m, was £1.0m (9%) ahead of the operating profit of £12.2m earned in the corresponding period in 2010. Operating profit benefited from improved performances in some markets and the recovery of higher raw material prices.

Net finance costs remained stable, at £0.6m (2010: £0.6m), reflecting positive cash generation to fund the higher level of investment and continuing low sterling and euro inter bank offered rates. Interest cover was 21 times (20 times in the corresponding period last year).

Profit before taxation was £12.6m (2010: £11.5m), reflecting the increase in operating profit. The tax charge for the period was £3.0m (2010: £2.7m), representing a similar effective underlying rate of tax, as compared with last year, of 23.6% (2010: 23.5%).

Basic earnings per share in the first 28 weeks were 12.8p (2010: 11.8p) an increase of 9%.

The Directors propose an interim dividend of 3.1p pence per share, amounting to approximately £2.16m (compared with an interim dividend of 2.8 pence per share in 2010 amounting to £1.95m) to be paid on 2 December 2011, to shareholders on the register at close of business on 4 November 2011.

The Group generated £22.8m of cash from operations during the period (2010: £20.8m) which has enabled the Group to finance the investment in Denmark with a manageable short term increase in the level of net debt outstanding, whilst undertaking continuing investment to improve and develop its other production facilities. Group borrowings, net of cash balances of £25.4m, were £24.8m at 17 July 2011 (£18.0m at 2 January 2011).

Capital expenditure in the period, at £18.9m, was much higher than the level in the corresponding period last year (2010: £6.8m) as it included the additional investment of £12.1m in Denmark and £6.8m of expenditure incurred to mechanise further our processing activities as well as on ongoing efficiency improvements and equipment modernisation at Hilton's other five production sites.

## The principal risks and uncertainties facing the Group's businesses

The Group has a sound established structure and set of processes for identifying and mitigating the key risks the business faces. The most significant risks and uncertainties faced by the Group, together with the Group's risk management process are detailed in the Business review on pages 16 and 17 of the Hilton Food Group plc annual report and financial statements 2010. The principal risks and uncertainties identified in that report, which are unchanged, were:

- The Group's growth potential is dependent on the success of its customers and the future growth of their packed meat sales;
- The Group is dependent on a small number of customers who exercise significant buying power and influence;
- 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;
- Outbreaks of disease and feed contamination affecting livestock and media concerns can impact the Group's sales; and
- The Group's business is dependent on the state of the economy and levels of consumer spending in the countries in which it operates.

The risks and uncertainties set out above had no material adverse impact on the results for the 28 weeks to 17 July 2011, beyond the continuing effects of the difficult economic environment across Europe on consumer spending patterns, 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 2011 financial year, over which the macroeconomic environment across Europe is expected to remain little changed, with the pace of any recovery from recent recessions being potentially both muted and unpredictable in some of the countries in which we operate.

## 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.

## 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 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 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. 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 Group has benefited over the recent difficult economic period from the diversity of its geographical operations. In the first 28 weeks of 2011 74% of our revenue was earned outside the United Kingdom, with 76% of our total volume of meat packed outside the UK. 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 the less certain and more unpredictable economic times experienced over recent years.

### Western Europe

Operating profit of £12.1m (2010: £10.9m) on turnover of £452.2m (2010: £408.1m)

Further turnover and volume growth was achieved in Western Europe, with our customers continuing to make good progress. Volume growth was 2.2%, with turnover growth of 10.8%, the latter reflecting increases in raw material meat prices. This progress was achieved despite a macroeconomic environment which has remained challenging, with consumer spending remaining under pressure in some of the countries in which we operate. The new facility for Coop Danmark came on stream in late March 2011 and a rapid volume build up is currently in progress. The automated store order picking facility which we are installing as an additional service in Denmark is on schedule.

Hilton views product and packaging development and extending the range of products supplied to its customers as a key strategy for continuing to drive our business forward. The key product launches made in recent years have all continued to perform well and the first 28 weeks of 2011 saw the launch of an innovative new packaging range in Holland.

### Central Europe

Operating profit of £1.1m (2010: £1.3m) on turnover of £44.0m (2010: £41.8m)

Central Europe is a multi-customer business where 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 business has expanded rapidly in recent years and it achieved further growth in the first 28 weeks of 2011, despite very competitive markets. Overall volume growth was just under 5%, with turnover growth of 5.3%. Recent capital expenditure, including new robotics at our warehouse facilities, has bedded in well and leaves us well placed to manage growth for each of our customers in the region.

### Investment in our facilities

Hilton continues to invest in order to maintain all its facilities at the state of the art levels required to service its customers' growth, to progressively extend the range of products supplied to those customers, deliver first class service levels and continuously increase production efficiency. Such 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 £18.9m (2010: £6.8m), including expenditure of £12.1m on equipment for the new facility in Denmark.

**Employees**

The further progress made by the Group in the first 28 weeks of 2011 is once again attributable to the quality of the workforces and management teams we have in place in each country in which we operate and, on behalf of the Board, we would like to thank them for their continuing commitment, enthusiasm, expertise and support.

**Future outlook**

Despite continuing pressure on consumer expenditure in many countries in which we operate, and with the economic backdrop across Europe remaining both difficult and uncertain, we have delivered further strong revenue growth, which has been achieved by working closely and proactively with our customers. In such an environment, consumers' drive for value is almost certain to continue. As a business with modern, well invested and flexible facilities, which has both a wide geographic spread and an extensive global procurement reach, Hilton is well positioned, should the current difficult economic environment, as expected, persist.

We will continue to explore opportunities for further geographical expansion and to expand our existing businesses through new product development and range extension. Although the remainder of 2011 will inevitably see further macroeconomic challenges, the Board expects the Hilton to meet its expectations for the 2011 financial year.

**Sir David Naish DL**
Non-Executive Chairman
12 September 2011

**Robert Watson OBE**
Chief Executive

## 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 2010 on pages 18 and 19. There have been no changes in Directors since 2 January 2011, 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 | Note | **28 weeks ended 17 July 2011 £'000** | 28 weeks ended 18 July 2010 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **496,242** | 449,876 |
| Cost of sales | | **(430,454)** | (392,523) |
| **Gross profit** | | **65,788** | 57,353 |
| Distribution costs | | **(5,382)** | (5,754) |
| Administrative expenses | | **(47,212)** | (39,447) |
| **Operating profit** | 4 | **13,194** | 12,152 |
| Finance income | | **121** | 65 |
| Finance costs | | **(747)** | (670) |
| Finance costs – net | | **(626)** | (605) |
| **Profit before income tax** | | **12,568** | 11,547 |
| Income tax expense | 5 | **(2,964)** | (2,717) |
| **Profit for the half year** | | **9,604** | 8,830 |
| **Attributable to:** | | | |
| Owners of the parent | | **8,930** | 8,202 |
| Non-controlling interests | | **674** | 628 |
| | | **9,604** | 8,830 |
| **Earnings per share for profit attributable to owners of the parent** | | | |
| - Basic (pence) | 7 | **12.8** | 11.8 |
| - Diluted (pence) | 7 | **12.6** | 11.7 |

## Statement of comprehensive income

| | **28 weeks ended 17 July 2011 £'000** | 28 weeks ended 18 July 2010 £'000 |
|---|---|---|
| **Profit for the half year** | **9,604** | 8,830 |
| **Other comprehensive income/(expense)** | | |
| Currency translation differences | **579** | (797) |
| **Other comprehensive income/(expense) for the half year net of tax** | **579** | (797) |
| **Total comprehensive income for the half year** | **10,183** | 8,033 |
| **Total comprehensive income attributable to:** | | |
| Owners of the parent | **9,446** | 7,519 |
| Non-controlling interests | **737** | 514 |
| | **10,183** | 8,033 |

The notes form an integral part of this condensed consolidated interim financial information.

## Balance sheet

| | Note | **17 July 2011 £'000** | 18 July 2010 £'000 | 2 January 2011 £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | **63,942** | 46,867 | 57,836 |
| Intangible assets | 8 | **2,135** | 2,123 | 2,063 |
| Deferred income tax assets | | **1,007** | 565 | 1,021 |
| | | **67,084** | 49,555 | 60,920 |
| **Current assets** | | | | |
| Inventories | | **23,160** | 19,537 | 20,346 |
| Trade and other receivables | | **92,926** | 68,991 | 85,088 |
| Cash and cash equivalents | | **25,401** | 24,419 | 26,141 |
| | | **141,487** | 112,947 | 131,575 |
| **Total assets** | | **208,571** | 162,502 | 192,495 |
| | | | | |
| **Equity** | | | | |
| Share capital | 10 | **6,978** | 6,966 | 6,966 |
| Share premium | | **231** | - | - |
| Employee share schemes reserve | | **1,358** | 621 | 1,071 |
| Foreign currency translation reserve | | **4,274** | 2,579 | 3,758 |
| Retained earnings | | **39,287** | 29,925 | 35,518 |
| Reverse acquisition reserve | | **(31,700)** | (31,700) | (31,700) |
| Merger reserve | | **919** | 919 | 919 |
| **Capital and reserves attributable to owners of the parent** | | **21,347** | 9,310 | 16,532 |
| Non-controlling interests | | **2,876** | 2,032 | 2,613 |
| **Total equity** | | **24,223** | 11,342 | 19,145 |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 9 | **41,491** | 33,473 | 35,359 |
| Deferred income tax liabilities | | **1,039** | 1,637 | 1,037 |
| | | **42,530** | 35,110 | 36,396 |
| **Current liabilities** | | | | |
| Borrowings | 9 | **8,684** | 6,990 | 8,828 |
| Trade and other payables | | **131,492** | 107,268 | 124,820 |
| Current income tax liabilities | | **1,642** | 1,792 | 3,306 |
| | | **141,818** | 116,050 | 136,954 |
| **Total liabilities** | | **184,348** | 151,160 | 173,350 |
| **Total equity and liabilities** | | **208,571** | 162,502 | 192,495 |

The notes form an integral part of this condensed consolidated interim financial information.

## Statement of changes in equity

| | Note | Share capital £'000 | Share premium £'000 | Employee share schemes reserve £'000 | Foreign currency translation reserve £'000 | Retained earnings £'000 | Reverse acquisition reserve £'000 | Merger reserve £'000 | Total £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the parent | | | | | | | | | |
| Balance at 4 January 2010 | | 6,966 | - | 377 | 3,262 | 26,432 | (31,700) | 919 | 6,256 | 2,300 | 8,556 |
| Comprehensive income | | | | | | | | | | | |
| Profit for the half year | | - | - | - | - | 8,202 | - | - | 8,202 | 628 | 8,830 |
| Other comprehensive income | | | | | | | | | | | |
| Currency translation differences | | - | - | - | (683) | - | - | - | (683) | (114) | (797) |
| Total comprehensive income | | - | - | - | (683) | 8,202 | - | - | 7,519 | 514 | 8,033 |
| Transactions with owners | | | | | | | | | | | |
| Adjustment in respect of employee share schemes | | - | - | 244 | - | - | - | - | 244 | - | 244 |
| Dividends paid | 6 | - | - | - | - | (4,709) | - | - | (4,709) | (782) | (5,491) |
| Total transactions with owners | | - | - | 244 | - | (4,709) | - | - | (4,465) | (782) | (5,247) |
| Balance at 18 July 2010 | | 6,966 | - | 621 | 2,579 | 29,925 | (31,700) | 919 | 9,310 | 2,032 | 11,342 |
| **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 half year** | | **-** | **-** | **-** | **-** | **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** | | **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** |

The notes form an integral part of this condensed consolidated interim financial information.

# Cash flow statement

| | **28 weeks ended 17 July 2011 £'000** | 28 weeks ended 18 July 2010 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | **22,772** | 20,775 |
| Interest paid | **(747)** | (670) |
| Income tax paid | **(4,636)** | (3,095) |
| Net cash generated from operating activities | **17,389** | 17,010 |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(18,308)** | (6,805) |
| Proceeds from sale of property, plant and equipment | **14** | 25 |
| Purchase of intangible assets | **(634)** | - |
| Interest received | **121** | 65 |
| Net cash used in investing activities | **(18,807)** | (6,715) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **9,257** | 799 |
| Repayments of borrowings | **(3,535)** | (4,660) |
| Issue of new shares | **243** | - |
| Dividends paid to company shareholders | **(5,161)** | (4,709) |
| Dividends paid to non-controlling interests | **(474)** | (782) |
| Net cash generated from/(used in) financing activities | **330** | (9,352) |
| | | |
| **Net (decrease)/increase in cash, cash equivalents and bank overdrafts** | **(1,088)** | 943 |
| Cash, cash equivalents and bank overdrafts at start of period | **26,141** | 24,141 |
| Exchange gains/(losses) on cash, cash equivalents and bank overdrafts | **348** | (665) |
| **Cash, cash equivalents and bank overdrafts at end of period** | **25,401** | 24,419 |

The notes 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 12 September 2011.

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 2 January 2011 were approved by the Board of Directors on 30 March 2011 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 17 July 2011 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 2 January 2011 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 2 January 2011, 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 2011 but not relevant to the Group's operations*

IAS 24 (revised), 'Related party disclosures'.

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

IFRS 1 (amendment), 'First time adoption of IFRS'.

IFRIC 14 (amendment), 'IAS 19 - Prepayments of a minimum funding requirement'.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

## 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 17 July 2011** | | |
| **Western Europe** | **452,266** | **12,101** |
| **Central Europe** | **43,976** | **1,093** |
| **Total** | **496,242** | **13,194** |
| 28 weeks ended 18 July 2010 | | |
| Western Europe | 408,102 | 10,855 |
| Central Europe | 41,774 | 1,297 |
| Total | 449,876 | 12,152 |

| | **17 July 2011 £'000** | 18 July 2010 £'000 | 2 January 2011 £'000 |
|---|---|---|---|
| **Total assets** | | | |
| Western Europe | **185,638** | 142,327 | 171,042 |
| Central Europe | **21,926** | 19,610 | 20,432 |
| Total segment assets | **207,564** | 161,937 | 191,474 |
| Deferred income tax assets | **1,007** | 565 | 1,021 |
| Total assets per balance sheet | **208,571** | 162,502 | 192,495 |

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 1 January 2012 is 23.6%. The estimated average annual tax rate for the 28 weeks ended 18 July 2010 was 23.5%.

## 6 Dividends

| | **28 weeks ended 17 July 2011 £'000** | 28 weeks ended 18 July 2010 £'000 |
|---|---|---|
| Second interim dividend paid nil (2010: 5.54p) per ordinary share | **-** | 3,859 |
| Final dividend paid 7.4p (2010: 1.22p) per ordinary share | **5,161** | 850 |
| Total dividends paid | **5,161** | 4,709 |

The Directors will declare an interim dividend of 3.1 pence per share payable on 2 December 2011 to shareholders who are on the register at 4 November 2011. This interim dividend, amounting to £2.16m has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the 52 weeks to 1 January 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 17 July 2011** | | 28 weeks ended 18 July 2010 | |
|---|---|---|---|---|---|
| | | **Basic** | **Diluted** | Basic | Diluted |
| Profit attributable to equity holders of the company | (£'000) | **8,930** | **8,930** | 8,202 | 8,202 |
| Weighted average number of ordinary shares in issue | (thousands) | **69,690** | **69,690** | 69,657 | 69,657 |
| Adjustment for share options | (thousands) | **-** | **1,160** | - | 645 |
| Adjusted weighted average number of ordinary shares | (thousands) | **69,690** | **70,850** | 69,657 | 70,302 |
| Basic and diluted earnings per share | (pence) | **12.8** | **12.6** | 11.8 | 11.7 |

## 8 Property, plant and equipment and intangible assets

| | Property, plant and equipment £'000 | Intangible assets £'000 |
|---|---|---|
| 28 weeks ended 18 July 2010 | | |
| Opening net book amount as at 4 January 2010 | 48,252 | 2,651 |
| Exchange adjustments | (1,218) | (40) |
| Additions | 6,805 | - |
| Disposals | (16) | - |
| Depreciation and amortisation | (6,956) | (488) |
| Closing net book amount as at 18 July 2010 | 46,867 | 2,123 |
| | | |
| **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** |

Additions comprise investments required to further mechanise our processing activities together with expenditure on efficiency improvement, equipment modernisation and continuing expenditure on equipment for the new Danish facility. At 17 July 2011 commitments for the purchase of property, plant and equipment relating to the new Danish facility totalled £3,041,000.

## 9 Borrowings

| | **17 July 2011 £'000** | 18 July 2010 £'000 | 2 January 2011 £'000 |
|---|---|---|---|
| Current | **8,684** | 6,990 | 8,828 |
| Non-current | **41,491** | 33,473 | 35,359 |
| **Total borrowings** | **50,175** | 40,463 | 44,187 |

Movements in borrowings is analysed as follows:

| | **28 weeks ended 17 July 2011 £'000** | 28 weeks ended 18 July 2010 £'000 | 52 weeks ended 2 January 2011 £'000 |
|---|---|---|---|
| Opening amount | **44,187** | 44,695 | 44,695 |
| Exchange adjustments | **266** | (371) | (145) |
| New borrowings | **9,257** | 799 | 7,700 |
| Repayment of borrowings | **(3,535)** | (4,660) | (8,063) |
| **Closing amount** | **50,175** | 40,463 | 44,187 |

## 10 Share capital

| | Number of shares (thousands) | Ordinary shares £'000 | Total £'000 |
|---|---|---|---|
| At 4 January 2010 and at 18 July 2010 | 69,657 | 6,966 | 6,966 |
| **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** |

## 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 17 July 2011 £'000** | 28 weeks ended 18 July 2010 £'000 | 52 weeks ended 2 January 2011 £'000 |
|---|---|---|---|
| Hilton Meats (International) Limited – sales | **1,758** | 1,165 | 2,131 |
| Hilton Meats (International) Limited – purchases | **28,290** | 33,576 | 56,706 |
| Romford Wholesale Meats Limited – purchases | **27,805** | 22,686 | 44,487 |
| RWM Dorset Limited – purchases | **8,395** | 11,746 | 20,947 |

Amounts owing to and from related parties were as follows:

| | **17 July 2011 £'000** | 18 July 2010 £'000 | 2 January 2011 £'000 |
|---|---|---|---|
| **Amounts owing to related parties** | | | |
| Hilton Meats (International) Limited | **3,829** | 3,348 | 2,831 |
| Romford Wholesale Meats Limited | **4,165** | 2,667 | 2,645 |
| RWM Dorset Limited | **819** | 1,483 | 1,467 |
| **Amounts owing from related parties** | | | |
| Hilton Meats (International) Limited | **166** | 294 | 188 |

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

# 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 17 July 2011 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 and 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 17 July 2011 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

12 September 2011

The maintenance and integrity of the Hilton Food Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the 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