Tuesday 14 September 2010

Hilton Food Group plc

Interim results for the 28 weeks to 18 July 2010

Continuing growth achieved in a challenging economic environment

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 18 July 2010.

	28 weeks to 18 July 2010	28 weeks to 12 July 2009	Percentage growth		53 weeks to 3 Jan 2010
Volume (tonnes)	102,688	92,828	11%		182,857
Turnover	£449.9m	£427.2m	5%		£826.1m
Operating profit	£12.2m	£11.5m	5%		£21.7m
Profit before tax	£11.5m	£10.4m	12%		£20.1m
Cash generated from operations	£20.8m	£19.3m	8%		£33.2m
Net debt	£16.0m	£25.2m			£20.6m
Earnings per share	11.8p	10.6p	11%		20.1p
Interim dividend to be paid in December 2010	2.8p	2.6p	8%		9.36p

- Strong growth in customer volumes in Central Europe, with supplies commenced to Estonia
- Resilient performance in Western Europe despite continued economic weakness
- Strong balance sheet and cash generation to fund continued investment in facilities and further reduce net debt to £16.0m
- Construction of the new facility in Denmark on schedule for the start of production in 2011

Commenting, Robert Watson, Chief Executive said:
"I am pleased to report that, despite the difficult and uncertain economic environment across Europe, our trading over the first 28 weeks of 2010 has been encouraging.

We have continued to grow our business through new product initiatives, range extension and by achieving growth in developing markets, such as Central Europe, whilst our extensive and consistent capital investment over recent years has enabled us to continue supporting our customers' growth in our longer established markets".

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Financial review

The Group is presenting its interim results for the 28 weeks to 18 July 2010, together with comparative information for the 28 weeks to 12 July 2009 and the 53 weeks to 3 January 2010. 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 been strong, despite economic conditions remaining relatively difficult across much of Europe, with volumes growing overall by 11%. Further details of volume growth by segment are detailed in the Review of operations, below.

Turnover rose by 5% to £449.9m, as compared to £427.2m in the corresponding 28 week period last year. The increase is below the level of volume gains, reflecting some reductions in average unit selling prices based on a decrease in raw material costs and product mix changes, together with the fact that the largest volume growth was achieved in Central Europe, where selling prices are much lower than in more mature European economies. The impact from currency translation was less than in previous years, accounting for only 1% of the turnover increase.

The operating profit margin was 2.7% (2.7% in the first 28 weeks of 2009) compared with 2.6% for the 53 weeks to 3 January 2010.

Operating profit for the first 28 weeks, at £12.2m, was £0.7m (5%) ahead of the operating profit of £11.5m earned in the corresponding period in 2009. Operating profit benefited from the higher volumes, but was moderated by the effect of the lower raw material prices and product mix changes noted above.

Net finance costs fell to £0.6m. The reduction reflected both decreased borrowing costs and the lower levels of net debt. With the lower finance costs, interest cover has risen to 20 times (10 times in the corresponding period last year and 13 times in the 53 weeks to 3 January 2010).

Profit before taxation was £11.5m (2009: £10.4m), reflecting the increase in operating profit and the reduction in finance charges. The tax charge for the period was £2.7m (2009: £2.3m), representing an effective underlying rate of tax of 23.5% (2009: 22.6%). The slight increase in the effective underlying rate of tax reflected the fact that an increased proportion of the Group's profit before taxation was earned in higher corporate tax rate jurisdictions, as compared with 2009.

Basic earnings per share in the first 28 weeks were 11.8p (2009: 10.6p) an increase of 11%.

The Directors propose an interim dividend of 2.8p pence per share, amounting to approximately £1.95 m (compared with an interim dividend of 2.6 pence per share in 2009 amounting to £1.8m) to be paid on 3 December 2010, to shareholders on the register at close of business on 5 November 2010.

The Group generated £20.8m of cash from operations during the period, as compared to £19.3m in the corresponding period last year. This has enabled the Group to continue to reduce the level of net debt outstanding, despite continuing investment to improve and develop its facilities. Group borrowings, net of cash balances of £24.4m, were £16.0m at 18 July 2010 (£20.6m at 3 January, 2010), albeit they are expected to rise in the second half of 2010, with the investment in the equipment and machinery for the new facility in Denmark, in addition to continuing expenditure at existing sites.

Capital expenditure in the period, at £6.8m, was similar to the level in the corresponding period last year and included investments required to further mechanise our processing activities, together with continuing expenditure on efficiency improvement and equipment modernisation and initial expenditure on equipment for the new facility in Denmark.

The principal risks and uncertainties facing the Group's businesses

The Group has a well developed structure and set of processes for identifying and mitigating the key risks its 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 to 17 of the Hilton Food Group plc annual report and financial statements 2009. The principal risks and uncertainties identified in this report 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 18 July 2010, 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 financial year, over which the macroeconomic environment across Europe is expected to remain broadly unchanged, with the pace of recovery from the recent recession being potentially somewhat fragile and uncertain in some of the countries in which we operate.

Related parties

Transactions with related parties, which comprise only purchases of raw material meat and sales of packed retail products 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 on 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 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 have been prepared on a going concern basis.

Review of operations

The Group has continued to benefit over the recent difficult economic period from its geographical diversity.

Western Europe

Operating profit of £10.9m (2009: £10.2m) on turnover of £408.1m (2009: £396.1m)

Further turnover and volume growth was achieved in Western Europe, with our customers continuing to make progress. Volume growth was 6%, with turnover growth of 3%, the latter reflecting reductions in raw material prices. This progress was achieved despite a macroeconomic environment which has remained both difficult and uncertain. The effect of consumers trading down in relation to their meat purchases, to mince and less expensive meat cuts, which was a key trend over the previous year was not a material feature over the first 28 weeks of 2010. There has indeed been evidence of a degree of uptrading by consumers over the period in some countries, although the future trend will inevitably depend on the health of the economies in the countries concerned, going forward.

The further progress of recent new product launches remains encouraging. The bacon, sausage and gammon business in Ireland has grown strongly and sales of spreadable meat products have progressed well in Holland. We continue to view product development and extending the range of products supplied to our customers as a key strategy for continuing to drive our business forward.

As previously reported, the new facility for Coop Danmark will come on stream in 2011 and we continue to explore opportunities for further geographic expansion.

Central Europe

Operating profit of £1.3m (2009: £1.3m) on turnover of £41.8m (2009: £31.1m)

In Central Europe, our business has continued to expand rapidly. Overall volume growth was 45%, with turnover growth of 34%, the latter reflecting lower raw material prices and a higher proportion of lower priced pork and minced meat products. 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, with supplies having commenced to Estonia in 2010.

The operating profit of this very successful multi customer business has been temporarily checked, pending the required investment to economically manage the consequent increase in both complexity and scale. The robotisation of the warehouse facilities, designed to increase both line efficiencies and capacity levels is currently in progress.

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 £6.8m (2009: £6.9m), including robotisation designed to enhance line speeds and throughputs and initial expenditure on equipment for the new facility in Denmark.

Employees

The continued progress made by the Group in the first 28 weeks of 2010 is once again attributable to the quality of the workforce and management teams we have in place in each country and, on behalf of the Board, we would like to thank them for their continuing commitment, enthusiasm and expertise.

Future outlook

Despite continuing pressure on consumer expenditure, and with the economic backdrop across Europe remaining difficult, we have delivered strong growth, which has been achieved in close co-operation with our customers. Feed ingredient and meat prices are expected to rise in the second half of the year but Hilton's business model leaves it well placed.

In such an environment, consumers' drive for value is expected to continue. Hilton, as a business with modern, well invested and flexible facilities, a wide geographic spread and an extensive global procurement reach, remains well positioned should the current difficult economic environment persist.

We will continue to explore opportunities for further geographical expansion and to expand our existing businesses through new product development and range extension. The remainder of 2010 will inevitably see continuing challenges, but the Board expects the Group to meet its forecasts for the 2010 financial year.

Sir David Naish DL
Non-Executive Chairman

Robert Watson OBE
Chief Executive

13 September 2010

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 2009 on pages 18 and 19. Following the death of Gordon Summerfield on 15 March 2010, Sir David Naish was elected Non-Executive Chairman. There have been no other changes in Directors since 3 January 2010, 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 18 July 2010 £'000**	28 weeks ended 12 July 2009 £'000
Revenue	4	**449,876**	427,215
Cost of sales		**(392,523)**	(371,942)
Gross profit		**57,353**	55,273
Distribution costs		**(5,754)**	(4,199)
Administrative expenses		**(39,447)**	(39,547)
Operating profit	4	**12,152**	11,527
Finance income		**65**	125
Finance costs		**(670)**	(1,299)
Finance costs – net		**(605)**	(1,174)
Profit before income tax		**11,547**	10,353
Income tax expense	5	**(2,717)**	(2,341)
Profit for the half year		**8,830**	8,012
Attributable to:			
Owners of the parent		**8,202**	7,395
Non-controlling interests		**628**	617
		8,830	8,012
Earnings per share for profit attributable to owners of the parent			
- Basic and diluted (pence)	7	**11.8**	10.6

Statement of comprehensive income

	28 weeks ended 18 July 2010 £'000	28 weeks ended 12 July 2009 £'000
Profit for the half year	**8,830**	8,012
Other comprehensive income		
Currency translation differences	**(797)**	(2,508)
Other comprehensive income for the half year net of tax	**(797)**	(2,508)
Total comprehensive income for the half year	**8,033**	5,504
Total comprehensive income attributable to:		
Owners of the parent	**7,519**	5,072
Non-controlling interests	**514**	432
	8,033	5,504

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

Balance sheet

	Note	**18 July 2010 £'000**	12 July 2009 £'000	3 January 2010 £'000
Assets				
Non-current assets				
Property, plant and equipment	8	**46,867**	47,550	48,252
Intangible assets	8	**2,123**	2,943	2,651
Deferred income tax assets		**565**	461	492
		49,555	50,954	51,395
Current assets				
Inventories		**19,537**	17,640	17,335
Trade and other receivables		**68,991**	65,739	77,844
Cash and cash equivalents		**24,419**	22,676	24,141
		112,947	106,055	119,320
Total assets		**162,502**	157,009	170,715
Equity				
Share capital	10	**6,966**	6,966	6,966
Employee share schemes reserve		**621**	215	377
Foreign currency translation reserve		**2,579**	1,568	3,262
Retained earnings		**29,925**	21,629	26,432
		40,091	30,378	37,037
Reverse acquisition reserve		**(31,700)**	(31,700)	(31,700)
Merger reserve		**919**	919	919
Capital and reserves attributable to owners of the parent		**9,310**	(403)	6,256
Non-controlling interests		**2,032**	1,648	2,300
Total equity		**11,342**	1,245	8,556
Liabilities				
Non-current liabilities				
Borrowings	9	**33,473**	39,010	36,271
Deferred income tax liabilities		**1,637**	2,030	1,596
		35,110	41,040	37,867
Current liabilities				
Borrowings	9	**6,990**	8,901	8,424
Trade and other payables		**107,268**	104,819	113,688
Current income tax liabilities		**1,792**	1,004	2,180
		116,050	114,724	124,292
Total liabilities		**151,160**	155,764	162,159
Total equity and liabilities		**162,502**	157,009	170,715

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

Statement of changes in equity

	Note	Share capital £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Sub total £'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 29 December 2008		6,966	96	3,891	18,232	29,185	(31,700)	919	(1,596)	1,752	156
Comprehensive income											
Profit for the half year		-	-	-	7,395	7,395	-	-	7,395	617	8,012
Other comprehensive income											
Currency translation differences		-	-	(2,323)	-	(2,323)	-	-	(2,323)	(185)	(2,508)
Total comprehensive income		-	-	(2,323)	7,395	5,072	-	-	5,072	432	5,504
Transactions with owners											
Adjustment in respect of employee share schemes		-	119	-	-	119	-	-	119	-	119
Dividends paid	6	-	-	-	(3,998)	(3,998)	-	-	(3,998)	(536)	(4,534)
Total transactions with owners		-	119	-	(3,998)	(3,879)	-	-	(3,879)	(536)	(4,415)
Balance at 12 July 2009		6,966	215	1,568	21,629	30,378	(31,700)	919	(403)	1,648	1,245
Balance at 4 January 2010		**6,966**	**377**	**3,262**	**26,432**	**37,037**	**(31,700)**	**919**	**6,256**	**2,300**	**8,556**
Comprehensive income											
Profit for the half year		**-**	**-**	**-**	**8,202**	**8,202**	**-**	**-**	**8,202**	**628**	**8,830**
Other comprehensive income											
Currency translation differences		**-**	**-**	**(683)**	**-**	**(683)**	**-**	**-**	**(683)**	**(114)**	**(797)**
Total comprehensive income		**-**	**-**	**(683)**	**8,202**	**7,519**	**-**	**-**	**7,519**	**514**	**8,033**
Transactions with owners											
Adjustment in respect of employee share schemes		**-**	**244**	**-**	**-**	**244**	**-**	**-**	**244**	**-**	**244**
Dividends paid	**6**	**-**	**-**	**-**	**(4,709)**	**(4,709)**	**-**	**-**	**(4,709)**	**(782)**	**(5,491)**
Total transactions with owners		**-**	**244**	**-**	**(4,709)**	**(4,465)**	**-**	**-**	**(4,465)**	**(782)**	**(5,247)**
Balance at 18 July 2010		**6,966**	**621**	**2,579**	**29,925**	**40,091**	**(31,700)**	**919**	**9,310**	**2,032**	**11,342**

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

Cash flow statement

	28 weeks ended 18 July 2010 £'000	28 weeks ended 12 July 2009 £'000
Cash flows from operating activities		
Cash generated from operations	**20,775**	19,345
Interest paid	**(670)**	(1,299)
Income tax paid	**(3,095)**	(2,471)
Net cash generated from operating activities	**17,010**	15,575
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,805)**	(6,917)
Proceeds from sale of property, plant and equipment	**25**	5
Purchase of intangible assets	**-**	(34)
Interest received	**65**	125
Net cash used in investing activities	**(6,715)**	(6,821)
Cash flows from financing activities		
Proceeds from borrowings	**799**	-
Repayments of borrowings	**(4,660)**	(5,185)
Dividends paid to company shareholders	**(4,709)**	(3,998)
Dividends paid to non-controlling interests	**(782)**	(536)
Net cash used in financing activities	**(9,352)**	(9,719)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**943**	(965)
Cash, cash equivalents and bank overdrafts at start of period	**24,141**	25,785
Exchange losses on cash, cash equivalents and bank overdrafts	**(665)**	(2,144)
Cash, cash equivalents and bank overdrafts at end of period	**24,419**	22,676

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 eleven 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 13 September 2010.

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 53 weeks ended 3 January 2010 were approved by the Board of Directors on 30 March 2010 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 18 July 2010 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 53 weeks ended 3 January 2010 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 53 weeks ended 3 January 2010, 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 2010

IFRS 2 (amendments), ‘Share-based payment’. These amendments provide a clear basis to determine the classification of share based payment awards, incorporates IFRIC 8 and IFRIC 11 together with further guidance. This amendment has not impacted the Group’s accounting for its share based payments.

(b) Standards, amendments and interpretations effective in 2010 but not relevant to the Group’s operations

IAS 1 (amendment), Presentation of financial statements’. This amendment concerns classification of a potential liability by the issue of equity.

IAS 27 (revised), ‘Consolidated and separate financial statements’. This amendment concerns accounting for transactions with non-controlling interests. The Group has no transactions with non-controlling interests.

IFRS 3 (revised), ‘Business combinations’. This concerns accounting for acquisitions. The Group has not had any business combinations since the revised standard became effective.

IFRS 5 (amendment), Non-current assets held for sale and discontinued operations’.

IFRIC 17, ‘Distribution of non-cash asset to owners’.

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

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

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

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Group’s operations

IAS 24 (amendment), ‘Related party transactions’ (effective 1 January 2011)

IAS 32 (amendment), ‘Financial instruments’ (effective 1 February 2010)

IFRIC 14, ‘Prepayments of a minimum funding requirement’ (effective 1 January 2011)

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 five operating segments: i) United Kingdom; ii) Republic of Ireland; iii) Sweden; iv) Netherlands; and v) Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia. The United Kingdom, Republic of Ireland, Netherlands and Sweden 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 18 July 2010		
Western Europe	**408,102**	**10,855**
Central Europe	**41,774**	**1,297**
Total	**449,876**	**12,152**
28 weeks ended 12 July 2009		
Western Europe	396,093	10,223
Central Europe	31,122	1,304
Total	427,215	11,527

	18 July 2010 £’000	12 July 2009 £’000	3 January 2010 £’000
Total assets			
Western Europe	**142,327**	140,977	152,861
Central Europe	**19,610**	15,571	17,362
Total segment assets	**161,937**	156,548	170,223
Deferred income tax assets	**565**	461	492
Total assets per balance sheet	**162,502**	157,009	170,715

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 2 January 2011 is 23.5%. The estimated average annual tax rate for the 28 weeks ended 12 July 2009 was 22.6%.

6 Dividends

	28 weeks ended 18 July 2010 £'000	28 weeks ended 12 July 2009 £'000
Second interim dividend paid 5.54p (2009: nil) per ordinary share	**3,859**	-
Final dividend paid 1.22p (2009: 5.74p) per ordinary share	**850**	3,998
Total dividends paid	**4,709**	3,998

The Directors will declare an interim dividend of 2.8 pence per share payable on 3 December 2010 to shareholders who are on the register at 5 November 2010. This interim dividend, amounting to £1.95m has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the 52 weeks to 2 January 2011.

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

7 Earnings per share

Basic and diluted 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.

	28 weeks ended 18 July 2010	28 weeks ended 12 July 2009
Profit attributable to equity holders of the company (£'000)	**8,202**	7,395
Weighted average number of ordinary shares in issue (thousands)	**69,657**	69,657
Basic and diluted earnings per share (pence)	**11.8**	10.6

8 Property, plant and equipment and intangible assets

	Property, plant and equipment £'000	Intangible assets £'000
28 weeks ended 12 July 2009		
Opening net book amount as at 29 December 2008	51,325	3,671
Exchange adjustments	(3,867)	(296)
Additions	6,917	34
Disposals	(5)	-
Depreciation and amortisation	(6,820)	(466)
Closing net book amount as at 12 July 2009	47,550	2,943
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**

Additions comprise investments required to further mechanise our processing activities together with continuing expenditure on efficiency improvement, equipment modernisation and initial expenditure on equipment for the new Danish facility. At 18 July 2010 commitments for the purchase of property, plant and equipment totalled £10,821,000 mainly relating to the new Danish facility.

9 Borrowings

	18 July 2010 £'000	12 July 2009 £'000	3 January 2010 £'000
Current	**6,990**	8,901	8,424
Non-current	**33,473**	39,010	36,271
Total borrowings	**40,463**	47,911	44,695

Movements in borrowings is analysed as follows:

	28 weeks ended 18 July 2010 £'000	28 weeks ended 12 July 2009 £'000	53 weeks ended 3 January 2010 £'000
Opening amount	**44,695**	54,357	54,357
Exchange adjustments	**(371)**	(1,261)	(597)
New borrowings	**799**	-	1,294
Repayment of borrowings	**(4,660)**	(5,185)	(10,359)
Closing amount	**40,463**	47,911	44,695

10 Share capital

	Number of shares (thousands)	Ordinary shares £'000	Total £'000
At 29 December 2008 and at 12 July 2009	69,657	6,966	6,966
At 4 January 2010 and at 18 July 2010	**69,657**	**6,966**	**6,966**

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 18 July 2010 £'000	28 weeks ended 12 July 2009 £'000	53 weeks ended 3 January 2010 £'000
Hilton Meats (International) Limited – sales	**1,165**	6,423	10,082
Hilton Meats (International) Limited – purchases	**33,576**	41,537	74,421
Romford Wholesale Meats Limited – purchases	**22,686**	23,143	46,496
RWM Dorset Limited – purchases	**11,746**	11,701	22,478

Amounts owing to and from related parties were as follows:

	18 July 2010 £'000	12 July 2009 £'000	3 January 2010 £'000
Amounts owing to related parties			
Hilton Meats (International) Limited	**3,348**	4,510	2,553
Romford Wholesale Meats Limited	**2,667**	3,251	1,884
RWM Dorset Limited	**1,483**	1,729	2,331
Amounts owing from related parties			
Hilton Meats (International) Limited	**294**	2,209	733

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 18 July 2010 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 18 July 2010 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

13 September 2010

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