

Date: 25 October 2005
On behalf of: Hill Station plc (“Hill Station” or “the Company”)
Embargoed until: 1600hrs

Hill Station plc

- **Release of Admission Document**
- **Chairman’s Statement**
- **Details of Share Placing, Readmission to AIM and EGM**
- **Interim results for the 18 months ended 31 July 2005**
- **Change of Year End to 31 October**

Further to the press release of 21 October 2005 announcing the conditional acquisitions of Granelli McDermott Limited and Loseley Dairy Ice Cream Limited, Hill Station plc has today released an Admission Document providing further information on the acquisitions as well as details of a share placing, the interim financial results for the 18 months to 31 July 2005 and containing a notice of an extraordinary general meeting of shareholders. Highlights are as follows:

Chairman’s Statement

- Agreements to acquire two larger ice cream manufacturers: Granelli McDermott Limited and Loseley Dairy Ice Cream Limited are expected to complete following an EGM on 17 November 2005 and readmission of the enlarged issued share capital to trading on AIM;
- The new Hill Station group companies had combined turnover of approximately £17m in their last full financial years, putting the group third amongst UK manufacturers of own-label and branded ice cream;
- Hill Station’s current manufacturing operations will move to Loseley’s 80,000 sq ft manufacturing facility in South Wales, achieving objectives set out at the time of flotation;
- The acquisitions extend the group’s range of products across the entire breadth of the ice cream sector.

Share Placing, Readmission to AIM and EGM

- The Placing comprises the issue by the Company of 250,000,000 Placing Shares to raise £7,500,000 at the Placing Price of £0.03 per share;
- J.M. Finn & Co are acting as placing agent for the Company;
- An extraordinary general meeting of the Company will be held at 10.00am on 17 November 2005 to approve, amongst other things, the acquisitions and the share placing.
- Copies of the Admission Document are available to the public, free of charge, at the offices of Daniel Stewart & Company plc during normal business hours on any weekday (Saturday and Public holidays excepted) from today until one month from the date on which the Enlarged Issued Share Capital is admitted to trading on AIM.

Financial Results – 18 months ended 31/07/05 v 12 months ended 31/01/04

- Turnover of £1.37 million (2004: £682,000)
- Gross profit of £520,000 (2004: £258,000)
- Post-tax loss of £596,000 (2004: £125,000)

Commenting on the proposed acquisitions and interim results, Pieter Totté, Chairman of Hill Station plc, said:

“The proposed acquisitions of Granelli and Loseley will enable us to utilise the acquired quality capacity, to improve margins and to achieve economies of scale. Whilst these acquisitions represent a more significant step forward for the Group than was contemplated at the time of the flotation one year ago, they achieve the long term objectives set out at that time and take Hill Station plc to an entirely new level.”

“We are excited about the business prospects for the new Hill Station plc group and look forward to creating a new quality force in UK ice cream.”

CHAIRMAN’S STATEMENT

We are announcing today further details of the major transformation of Hill Station plc together with the release of financial results for the 18 months to 31 July 2005. This is our second report to shareholders following our admission to trading on the AIM Market of the London Stock Exchange in late October of last year. Our first interim report on the period to 31 January 2005 was sent to shareholders in late April.

Acquisitions

As described in detail in the admission document we are releasing today, Hill Station plc has entered into two conditional agreements to acquire two larger ice cream manufacturers: Granelli McDermott Limited (“Granelli”) and Loseley Dairy Ice Cream Limited (“Loseley”). We have been working on these transactions since April, and we expect both acquisitions, which are subject to shareholder approval, to complete following the EGM on 17 November 2005 and readmission of the enlarged issued share capital to trading on AIM.

By bringing these three companies together, we believe we are creating a new force in the manufacture of UK ice cream. Hill Station, Granelli and Loseley together recorded turnover of almost £17 million in their last full financial years, putting the group third amongst UK manufacturers of own-label and branded ice cream.

At the time of our AIM flotation we committed to transfer our manufacturing to larger premises, in order to position the company for further growth in both branded and own-label business. The acquisition of Loseley, with its new 80,000 square foot manufacturing facility in South Wales, will accomplish this objective. The opportunities to develop the acquired brands, to utilise the acquired quality capacity, to improve margins and to achieve economies of scale are compelling.

We also believe that the Acquisitions will create a new, broadly-based, and commercially credible manufacturer in the UK ice cream sector, and that the Enlarged Group will be in a strong position to compete against other established manufacturers for both own-label business and branded sales. By extending the range of the Enlarged Group’s operations through all segments of the ice cream market (including superpremium, premium, multipacks, choc ices, stick products, blocks and bulk dairy and non-dairy scooping product) we believe it will enhance our competitive position with customers and achieve significant economies of scale in manufacturing. Furthermore by integrating the operations of the three existing companies, we also believe that significant operating efficiencies and overhead reductions can be achieved.

In addition we expect significant synergies to be achieved in combining the operations of the Group with Loseley and Granelli and that the Hill Station and Granelli will benefit from access to larger and more modern manufacturing facilities and that all three operating companies will benefit from economies of scale in purchasing, manufacturing and logistics as well as in rationalisation of existing owned brands.

The Placing

The Placing comprises the issue by the Company of 250,000,000 Placing Shares to raise £7,500,000 at the Placing Price of £0.03 per share (£6,225,000 net of commissions, costs of the Acquisitions and expenses excluding VAT). The minimum subscription payable under the Placing is the Sterling equivalent of €50,000 (as at the date of the relevant placing letters).

Under the Placing Agreement, JM Finn & Co has agreed as agent for the Company, conditional *inter alia* on Admission, to use its reasonable endeavours to procure places for the Placing Shares at the Placing Price. The Placing has not been underwritten by JM Finn. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. The Placing Agreement contains provisions entitling JM Finn and Daniel Stewart to terminate the Placing Agreement at any time prior to the completion of the Placing in certain circumstances. If this right is exercised the Placing will lapse. Full details are set out in the Admission Document sent to shareholders today.

Extraordinary General Meeting

An extraordinary general meeting of the Company will be held at 10.00 am on 17 November 2005. The Resolutions are proposed to grant authority as follows:

- (1) approval of the Granelli Acquisition;
- (2) approval of the Loseley Acquisition;
- (3) increase in the authorised share capital of the Company;
- (4) grant of Directors' authority to allot relevant securities;
- (5) disapplication of pre-emption rights; and
- (6) amendment to the borrowing powers in the Articles.

Financial Results

Since we expect our two acquisitions to complete following the EGM on 17 November and readmission of the enlarged share capital to trading on AIM, we have changed the financial year-end for the group to 31 October. This will allow us to begin a new financial year with all three companies as the enlarged group and to report in a way which more closely reflects the seasonal influences on the ice cream market.

The audited interim report for the 18-month period ended 31 July 2005 showed turnover of £1.37 million. Gross profit for the same period of £520,000, and the Company recorded a post-tax loss of £596,000.

As reported in our first interim report, for the 12 months to 31 January 2005, the Company's overheads have increased in line with expectations following our AIM flotation, mainly due to the strengthening of the management team and increased marketing expenditures. We anticipate that the transfer of Hill Station's production to the Loseley factory will have a positive effect on gross margins of our branded products.

Looking Ahead

Early next year, we are required to report final results for the Hill Station stand-alone operations to 31 October 2005, at which time we will include a progress report on the

integration of the three businesses. From that point onward, we will be reporting the results of the enlarged group.

We are excited about the business prospects for the enlarged Hill Station group and look forward to creating a new quality force in UK ice cream.

On behalf of the Board

Pieter Totté
Chairman

Consolidated Profit and Loss Account

	Eighteen months ended 31 July 2005 £'000	Twelve months ended 31 January 2004 £'000
Turnover	1,370	682
Cost of sales	(850)	(424)
Gross profit	520	258
Administrative expenses	(1,197)	(413)
Operating loss and loss on ordinary activities before interest and taxation	(677)	(155)
Interest receivable	15	-
Interest payable	(62)	(5)
Loss on ordinary activities before taxation	(724)	(160)
Tax on ordinary activities	128	35
Loss retained for the period	(596)	(125)
Loss per share	1.10p	0.32p
Dividend per share	Nil	Nil

Consolidated Balance Sheet

	31 July 2005 £'000	31 January 2004 £'000
Fixed assets		
Intangibles	41	-
Tangible assets	129	98
	170	98
Current assets		
Stocks	167	78
Debtors	491	314
Cash at bank	432	86
	1,090	478
Creditors		
Amounts falling due within one year	(222)	(299)
Net current assets	868	179
Total assets less current liabilities	1,038	277
Creditors: amounts falling due after more than one year	(142)	(146)
Total net assets	896	131
Capital and reserves		
Called up share capital	164	104
Share premium account	1,301	-
Merger reserve	932	932
Profit and loss account	(1,501)	(905)
Equity shareholders' funds	896	131

Consolidated Cash Flow Statement

	Eighteen months ended 31 July 2005 £'000	Twelve months ended 31 January 2004 £'000
Net cash inflow/(outflow) from operating activities	(685)	(116)
Returns on investments and servicing of finance		
Interest received	15	-
Interest paid on bank loans, overdraft and loan stock	(62)	(5)
Net cash outflow from returns on investments and servicing of finance	(47)	(5)
Capital expenditure		
Purchase of tangible and intangible fixed assets	(81)	(5)
Receipts from sales of tangible fixed assets	-	2
Net cash outflow from capital expenditure	(81)	(3)
Net cash outflow before use of liquid resources and financing	(813)	(124)
Financing		
Loan receipts/(repayments)	(21)	140
Repayment of directors loan accounts	(108)	(99)
Hire purchase acquisitions	(25)	(12)
Issue of ordinary share capital	1,361	200
Net cash inflow from financing	1,207	229
Increase in cash in the period	394	105

Notes to the Financial Statements

1. ACCOUNTING POLICIES

a) Basis of Accounting

The consolidated financial statements have been prepared under the historical cost convention.

b) Basis of Consolidation and Comparatives

The consolidated financial statements include the results, assets and liabilities of the holding company and its subsidiary after eliminating inter-company transactions since the date of formation of the holding company.

Hill Station plc was incorporated on 23 July 2004 and on 12 August 2004 the group underwent a reconstruction in which Hill Station Ice Cream Limited, a company registered in England and Wales, was included in the Hill Station group of companies. The reconstruction was accounted for under the merger method of accounting in accordance with Financial Reporting Standard No. 6. The financial information for periods prior to the date of the reconstruction have been restated to reflect the position as if the reconstruction had been undertaken at that time in accordance with the requirements of Financial Reporting Standard No. 6.

c) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company and group, exclusive of Value Added Tax and trade discounts.

d) Intangible Assets and Amortisation

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided over a period of 10 years to write off the cost of intangible assets, less their estimated residual value, over their expected useful lives.

e) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:-

Plant and machinery	at varying rates on cost
Motor vehicles	25% straight line
Fixtures and fittings	20% straight line

1. ACCOUNTING POLICIES (CONTINUED)

f) Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company and group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The future element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

g) Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

h) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

i) Deferred Taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

j) Pensions

Contributions to defined benefit contribution schemes are charged to the profit and loss account as incurred.