Tuesday 12 September 2017

Hilton Food Group plc

Interim results for the 28 weeks to 16 July 2017

Further territorial growth and strategic progress

Hilton Food Group plc, the leading specialist international meat packing business, is pleased to announce its interim results for the 28 weeks to 16 July 2017.

Financial and Strategic Highlights

	28 weeks to 16 July 2017	28 weeks to 17 July 2016	Percentage growth	52 weeks to 1 January 2017
Volume * (tonnes)	160,848	147,985	8.7%	275,213
Revenue	£690.7m	£631.9m	9.3%	£1,234.5m
Operating profit	£18.8m	£17.3m	9.0%	£34.3m
Profit before income tax	£18.4m	£16.7m	10.4%	£33.2m
Cash inflow before minorities, dividends and financing	£16.1m	£13.9m	15.1%	£26.7m
Net cash	£38.9m	£21.6m		£32.3m
Basic earnings per share	19.2p	16.9p	13.6%	33.7p
Interim dividend to be paid on 1 December 2017	5.0p	4.6p	8.7%	17.1p

* Volume includes 50% share of the Australian and Portuguese joint venture activities (2016 restated)

- Volume growth driven by Australia, Ireland, Sweden and Portugal partly offset by challenging market conditions in Central Europe

- Turnover up 3.3% on a constant currency basis, reflecting raw material prices increases, enhanced by favourable currency translation

- Operating profit up 1.4% on a constant currency basis after absorbing start-up costs in Europe, initial Queensland costs and weaker trading in Central Europe,

- Portuguese joint venture has started well with significant volumes

- Agreement since the end of the half year to supply fresh food to Tesco Central Europe

- Continued strong cash generation and an ungeared balance sheet

- Interim dividend increased from 4.6p to 5.0p, an increase of 8.7%

Commenting on the results, Chief Executive Robert Watson OBE said:

"Hilton delivered strong volume and profit growth during the period. Our strategic progress continued with entry into Portugal and expansion recently announced in Central Europe where beef deboning has commenced and a fresh food factory will be developed. The initial work on our new factory in Queensland, Australia continues with the planning approvals process well advanced. We remain committed to growing our business through innovation and product development as well as exploring a range of new expansion opportunities to further our geographic reach."

Enquiries:

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This announcement contains inside information.

Forward looking information

This interim management report contains forward looking statements. Such statements are unavoidably 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 by their nature speculative and involve risk and uncertainty, quite simply because they relate to events and depend on circumstances that will occur in the future.

Review of operations

The Group is presenting its interim results for the 28 weeks to 16 July 2017, together with comparative information for the 28 weeks to 17 July 2016 and the 52 weeks to 1 January 2017. The interim results of the Group are prepared in accordance with IAS 34 as adopted by the European Union (EU).

The wide geographical spread of the Group's operations across Europe and more recently into Australia has resulted in progressively reducing Hilton's dependence on any one national economy, which is a significant strength of the business model.

Hilton's results, as reported in Sterling, are sensitive to changes in the value of Sterling compared to the range of overseas currencies in which the Group trades. Over the 28 weeks to 16 July 2017 the average exchange rates for these overseas currencies have strengthened against Sterling compared with the corresponding period in 2016. The Euro, Danish Krone, Swedish Krona all strengthened by 7% to 10%, the Polish Zloty by 13% and Australian Dollar by 17%.

The overall performance was good with an improved performance in Western Europe aided by Portuguese joint venture partly offset by weaker trading in Central Europe and start-up costs.

Western Europe

Operating profit of £20.0m (2016: £18.1m) on turnover of £643.6m (2016: £586.6m)

This operating segment covers the Group's businesses in the UK, Ireland, Holland, Sweden, Denmark and the new Portuguese joint venture. Volume growth of 12.8% included an excellent start by the Sohi Food Solutions joint venture in Portugal as well as higher volumes in Ireland and Sweden although market conditions in Holland remain challenging.

Turnover increased by 4.1% on a constant currency basis boosted by higher raw material prices increases and favourable mix.

Hilton has continued to grow volume and profit despite consumer spending remaining subdued across Europe and competitive retail markets. In this environment we have continued to concentrate on product and packaging innovation and development with our customers, extending the range of products supplied and maintaining our unremitting focus on product quality, integrity and traceability. The higher volumes and favourable currency translation increased segment profitability.

Central Europe

Operating profit of £0.4m (2016: £1.3m) on turnover of £47.1m (2016: £45.3m)

Our facility at Tychy in Southern Poland supplies Ahold stores in the Czech Republic and Slovakia, Tesco stores in the Czech Republic, Hungary, Poland and Slovakia and Rimi stores in Latvia, Lithuania and Estonia.

As anticipated the business continued to be challenged by a highly competitive and price sensitive landscape. Volumes fell 20.6% compared to last year with turnover as reported in Sterling down by 7.9% on a constant currency basis. Operating profit was correspondingly lower and additionally there were also start-up costs as the business continues to expand its product range including the launch of a beef deboning operation.

Central costs and other

Net operating cost £1.6m (2016: £2.1m)

This segment includes the service fee income from our Australian joint venture of £2.3m (2016: £1.5m), Australian start-up and support costs of £0.6m (2016: £0.2m) and central costs of £3.3m (2016: £3.4m).

In Australia the Group operates a joint venture with Woolworths, under which it earns a fifty per cent share of the agreed fees charged by the joint venture company for operating certain Woolworths' meat processing and packing plants, based on the volume of retail packed meat delivered to Woolworths' stores.

Volumes in Australia grew by 15.1% across the plants in Bunbury, Western Australia and Melbourne Victoria in line with the agreed plan. Service fee income increased by 33.1% over 2016 on a constant currency basis reflecting the higher volumes and incentives. Higher start-up and support costs relate to the development of a new plant in Queensland which we will build and operate.

Strategic progress

The Group continued to make good strategic progress in the first half during which the joint venture in Portugal commenced production and a beef deboning operation started in Central Europe. Work on our new factory in Queensland, Australia continues with the planning approvals process well advanced. We also invested in a 50% stake in Foods Connected Limited, a software company that develops tools to help companies in the food and retail sectors. Since the end of our half year we announced expansion in Central Europe where a fresh food factory will be developed to produce sandwiches, pizza, ready meals and soups.

Investment in our existing facilities

Hilton continues to invest in all its European facilities maintaining the state of the art levels required to service its customers' growth, extend the range of products supplied to those customers and deliver both first class service levels and further increases in production efficiency. This investment ensures that we can achieve low unit costs and competitive selling prices at increasingly higher levels of production throughput. Capital expenditure in the period was £4.4m (2016: £6.5m).

Outlook

Hilton continues to develop its business and deliver year on year volume growth through focusing on quality and value for money for the consumer. With new projects in Portugal and Queensland, Australia, well invested facilities, a broad geographic customer spread, and flexible procurement capabilities the Group is well equipped and expects results for the full year to be in line with the Board's expectations.

Hilton continues to explore further opportunities for expansion and is well placed to capture those opportunities as they arise. The Group's financial position remains strong and we remain committed to maintaining a strong balance sheet in line with our stated strategy as we invest in these opportunities to grow the business in both domestic and overseas markets.

Financial review

Hilton's overall underlying trading performance remained strong, despite competitive retail grocery markets and uncertain macroeconomic conditions. Volumes increased by 8.7% reflecting growth in Ireland, Sweden and Australia and also the start of the Portuguese joint venture. Turnover increased by 9.3% to £690.7m (2016: £631.9m) and by 3.2% on a constant currency basis. Further details of turnover and volume growth by segment are detailed in the Review of operations above.

Operating profit for the first 28 weeks of 2017 was 9.0% higher at £18.8m (2016: £17.3m) and 1.4% higher on a constant currency basis including new product start-up and support costs in Europe and initial Queensland costs as well as weaker trading across Central Europe. The operating profit margin at 2.7% was unchanged compared to last year.

Net finance costs, at £0.4m, were lower than last year (2016: £0.6m) due to reduced borrowings with Sterling and European inter-bank offered rates remaining close to historically low levels. Interest cover was 43 times (2016: 29 times).

The taxation charge for the period was £3.2m (2016: £3.3m), representing an effective underlying rate of tax of 17.6%, as compared with 19.7% last year predominantly due to higher joint venture income which is reported within operating profit on a post-tax basis under the equity method.

Profit after taxation, at £15.2m, was £1.8m or 13.4% above last year (2016: £13.4m) reflecting higher operating profit and the lower effective rate of taxation.

Basic earnings per share in the first 28 weeks of 2017, at 19.2p, were 13.6% above last year's level.

The Directors have approved the payment of an interim dividend of 5.0 pence per share, amounting to £3.7m (compared with an interim dividend of 4.6 pence per share in 2016) to be paid on 1 December 2017, to shareholders on the register at close of business on 3 November 2017.

In the first 28 weeks the Group generated £16.1m of cash inflow, before minorities, dividends and financing (2016: £13.9m). Cash balances at 16 July 2017 were £60.4m which, net of borrowings of £21.5m, resulted in a net cash position of £38.9m (£32.3m net cash at 1 January 2017).

At 16 July 2017 the Group had undrawn overdraft and loan borrowing facilities of £101.0m (£99.2m at 1 January 2017).

Going concern

The Group's bank borrowings are detailed in note 10 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 2019. The Group is in compliance with all its banking covenants. Future expansion which is not yet contracted for, and which is not built into internal budgets and forecasts, may require additional or extended banking facilities and such future expansion will depend on our ability to negotiate appropriate additional or extended facilities as and when 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, above. As at the date of this report the Directors have a reasonable expectation that the Group has adequate resources and, having reassessed the principal risks, consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

The principal risks and uncertainties facing the Group's businesses

Hilton has well developed processes and structures for identifying and subsequently mitigating the key risks which the Group faces. The most significant risks and uncertainties faced by the Group, together with the Group's risk management processes are detailed in the review of Risk management and principal risks on pages 23 to 25 of the Hilton Food Group plc 2016 Annual report and financial statements. 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 when it comes to contractual renewal terms at 5 to 10 year intervals;
- The Group's growth potential is dependent on the success of its customers and the future growth of their packed meat sales;
- The progress of the Group's business is dependent on the macroeconomic environment and levels of consumer spending in the countries in which it operates;
- The Group's business is reliant on a number of key personnel and its ability to manage growth and change successfully;
- The Group's business is dependent on maintaining a wide and flexible global meat supply base operating at standards that can continuously achieve the specifications set by Hilton and its customers;
- Outbreaks of disease and feed contamination affecting livestock and media concerns relating to these and instances of product adulteration can impact the Group's sales;
- Significant incidents such as fire, flood or interruption of supply of key utilities could impact the Group's business continuity; and
- The Group's IT systems could be subject to cyber attacks including fraudulent external email activity. These kinds of attacks are generally increasing in frequency and sophistication.

These risks and uncertainties are expected to remain unchanged for the remainder of the 2017 financial year. The UK's decision to leave the European Union is not considered a material risk as it will logically only affect product flows between EU countries and those outside the EU, which in the Hilton context are fairly limited, with most of Hilton's sales in each country made to its retail partner in that country. The risks and uncertainties outlined above had no material adverse impact on the results for the 28 weeks to 16 July 2017.

Colin Smith OBE	**Robert Watson OBE**
Non-Executive Chairman	Chief Executive

11 September 2017

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

(a) the 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 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 2016 on pages 34 and 35 and there have been no changes in Directors since 1 January 2017, a list is also maintained on the Hilton Food Group plc website at www.hiltonfoodgroupplc.com.

On behalf of the Board

Robert Watson OBE
Chief Executive

Nigel Majewski
Chief Financial Officer

Income statement

Continuing operations	Notes	**28 weeks ended 16 July 2017 £'000**	28 weeks ended 17 July 2016 £'000
Revenue	4	**690,737**	631,863
Cost of sales		**(608,566)**	(554,654)
Gross profit		**82,171**	77,209
Distribution costs		**(5,939)**	(5,800)
Administrative expenses		**(61,274)**	(55,613)
Share of profit in joint venture		**3,880**	1,480
Operating profit	4	**18,838**	17,276
Finance income		**17**	47
Finance costs		**(448)**	(650)
Finance costs – net		**(431)**	(603)
Profit before income tax		**18,407**	16,673
Income tax expense	5	**(3,232)**	(3,286)
Profit for the period		**15,175**	13,387
Profit attributable to:			
Owners of the parent		**14,144**	12,338
Non-controlling interests		**1,031**	1,049
		15,175	13,387
Earnings per share for profit attributable to owners of the parent			
- Basic (pence)	7	**19.2**	16.9
- Diluted (pence)	7	**19.0**	16.6

Statement of comprehensive income

	28 weeks ended 16 July 2017 £'000	28 weeks ended 17 July 2016 £'000
Profit for the period	**15,175**	13,387
Other comprehensive income		
Currency translation differences	**2,138**	7,046
Other comprehensive income for the period net of tax	**2,138**	7,046
Total comprehensive income for the period	**17,313**	20,433
Total comprehensive income attributable to:		
Owners of the parent	**16,161**	18,732
Non-controlling interests	**1,152**	1,701
	17,313	20,433

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

Balance sheet

	Notes	**16 July 2017 £'000**	17 July 2016 £'000	1 January 2017 £'000
Assets				
Non-current assets				
Property, plant and equipment	8	**65,378**	68,770	70,396
Intangible assets	8	**8,348**	9,245	8,584
Investments	9	**9,827**	3,204	4,847
Deferred income tax assets		**1,019**	1,003	1,058
		84,572	82,222	84,885
Current assets				
Inventories		**23,754**	21,920	24,382
Trade and other receivables		**121,627**	124,133	118,608
Current income tax assets		**1,567**	1,881	33
Cash and cash equivalents		**60,376**	56,223	59,304
		207,324	204,157	202,327
Total assets		**291,896**	286,379	287,212
Equity and liabilities				
Equity				
Share capital	11	**7,399**	7,317	7,355
Share premium		**8,795**	8,869	7,273
Employee share schemes reserve		**5,245**	1,561	5,250
Foreign currency translation reserve		**4,983**	1,905	2,966
Retained earnings		**101,314**	87,491	96,419
Reverse acquisition reserve		**(31,700)**	(31,700)	(31,700)
Merger reserve		**919**	919	919
Equity attributable to owners of the parent		**96,955**	76,362	88,482
Non-controlling interests		**5,186**	5,549	6,613
Total equity		**102,141**	81,911	95,095
Liabilities				
Non-current liabilities				
Borrowings	10	**10,062**	22,512	17,409
Deferred income tax liabilities		**1,549**	1,840	1,505
		11,611	24,352	18,914
Current liabilities				
Borrowings	10	**11,432**	12,125	9,567
Trade and other payables		**166,712**	167,991	163,636
		178,144	180,116	173,203
Total liabilities		**189,755**	204,468	192,117
Total equity and liabilities		**291,896**	286,379	287,212

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 2016		7,286	8,191	901	(4,489)	82,829	(31,700)	919	63,937	4,938	68,875
Comprehensive income											
Profit for the period		-	-	-	-	12,338	-	-	12,338	1,049	13,387
Other comprehensive income											
Currency translation differences		-	-	-	6,394	-	-	-	6,394	652	7,046
Total comprehensive income		-	-	-	6,394	12,338	-	-	18,732	1,701	20,433
Transactions with owners											
Issue of new shares	11	31	678	-	-	-	-	-	709	-	709
Adjustment in respect of employee share schemes		-	-	660	-	-	-	-	660	-	660
Dividends paid	6	-	-	-	-	(7,676)	-	-	(7,676)	(1,090)	(8,766)
Total transactions with owners, recognised directly in equity		31	678	660	-	(7,676)	-	-	(6,307)	(1,090)	(7,397)
Balance at 17 July 2016		7,317	8,869	1,561	1,905	87,491	(31,700)	919	76,362	5,549	81,911
Balance at 2 January 2017		**7,355**	**7,273**	**5,250**	**2,966**	**96,419**	**(31,700)**	**919**	**88,482**	**6,613**	**95,095**
Comprehensive income											
Profit for the period		**-**	**-**	**-**	**-**	**14,144**	**-**	**-**	**14,144**	**1,031**	**15,175**
Other comprehensive income											
Currency translation differences		**-**	**-**	**-**	**2,017**	**-**	**-**	**-**	**2,017**	**121**	**2,138**
Total comprehensive income		**-**	**-**	**-**	**2,017**	**14,144**	**-**	**-**	**16,161**	**1,152**	**17,313**
Transactions with owners											
Issue of new shares	**11**	**44**	**1,522**	**-**	**-**	**-**	**-**	**-**	**1,566**	**-**	**1,566**
Adjustment in respect of employee share schemes		**-**	**-**	**(5)**	**-**	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Dividends paid	**6**	**-**	**-**	**-**	**-**	**(9,249)**	**-**	**-**	**(9,249)**	**(2,579)**	**(11,828)**
Total transactions with owners, recognised directly in equity		**44**	**1,522**	**(5)**	**-**	**(9,249)**	**-**	**-**	**(7,688)**	**(2,579)**	**(10,267)**
Balance at 16 July 2017		**7,399**	**8,795**	**5,245**	**4,983**	**101,314**	**(31,700)**	**919**	**96,955**	**5,186**	**102,141**

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

Cash flow statement

	28 weeks ended 16 July 2017 £'000	28 weeks ended 17 July 2016 £'000
Cash flows from operating activities		
Cash generated from operations	**26,511**	25,625
Interest paid	**(448)**	(650)
Income tax paid	**(4,677)**	(5,690)
Net cash generated from operating activities	**21,386**	19,285
Cash flows from investing activities		
Dividends received from joint venture	**2,023**	1,105
Investment in joint venture	**(3,007)**	-
Purchases of property, plant and equipment	**(3,494)**	(6,482)
Proceeds from sale of property, plant and equipment	**53**	19
Purchases of intangible assets	**(927)**	(30)
Interest received	**17**	47
Net cash used in investing activities	**(5,335)**	(5,341)
Cash flows from financing activities		
Repayments of borrowings	**(5,814)**	(7,075)
Issue of new shares	**1,566**	709
Dividends paid to owners of the parent	**(9,249)**	(7,676)
Dividends paid to non-controlling interests	**(2,579)**	(1,090)
Net cash used in financing activities	**(16,076)**	(15,132)
Net decrease in cash and cash equivalents	**(25)**	(1,188)
Cash and cash equivalents at beginning of the period	**59,304**	52,806
Exchange gains on cash and cash equivalents	**1,097**	4,605
Cash and cash equivalents at end of the period	**60,376**	56,223

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 the leading specialist international meat packing business.

The Company is a public limited company incorporated and domiciled in the UK. The address of the registered office is 2–8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE. The registered number of the Company is 06165540.

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

This condensed consolidated interim financial information was approved for issue on 11 September 2017.

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 2017 were approved by the Board of Directors on 30 March 2017 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 16 July 2017 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 2017 which have been prepared in accordance with IFRS as adopted by the European Union.

Estimates
The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 weeks ended 1 January 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.

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 2017, as described in those annual financial statements.

Current income tax
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
There are no Standards, amendments or interpretations effective in 2017 that are relevant to the Group's operations.

4 Segment information

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

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

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

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/(loss) segment result £'000**
28 weeks ended 16 July 2017		
Western Europe	**643,602**	**20,014**
Central Europe	**47,135**	**354**
Central costs and other	**-**	**(1,530)**
Total	**690,737**	**18,838**
28 weeks ended 17 July 2016		
Western Europe	586,576	18,114
Central Europe	45,287	1,307
Central costs and other	-	(2,145)
Total	631,863	17,276

	16 July 2017 £'000	17 July 2016 £'000	1 January 2017 £'000
Total assets			
Western Europe	**241,757**	252,328	259,355
Central Europe	**23,608**	23,643	18,477
Central costs and other	**23,945**	7,524	8,289
Total segment assets	**289,310**	283,495	286,121
Current income tax assets	**1,567**	1,881	33
Deferred income tax assets	**1,019**	1,003	1,058
Total assets per balance sheet	**291,896**	286,379	287,212

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 31 December 2017 is 17.6%. The estimated average annual effective tax rate for the 28 weeks ended 17 July 2016 was 19.7%.

6 Dividends

	28 weeks ended 16 July 2017 £'000	28 weeks ended 17 July 2016 £'000
Second interim dividend paid nil (2016: 9.2p)	**-**	6,725
Final dividend paid 12.5p per ordinary share (2016: 1.3p)	**9,249**	951
Total dividends paid	**9,249**	7,676

The Directors have approved the payment of an interim dividend of 5.0 pence per share payable on 1 December 2017 to shareholders who are on the register at 3 November 2017. This interim dividend, amounting to £3.7m has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the 52 weeks to 31 December 2017.

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 period.

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 16 July 2017		28 weeks ended 17 July 2016	
		Basic	**Diluted**	Basic	Diluted
Profit attributable to equity holders of the Company	(£'000)	**14,144**	**14,144**	12,338	12,338
Weighted average number of ordinary shares in issue	(thousands)	**73,757**	**73,757**	73,104	73,104
Adjustment for share options	(thousands)	**-**	**755**	-	1,005
Adjusted weighted average number of ordinary shares	(thousands)	**73,757**	**74,512**	73,104	74,109
Basic and diluted earnings per share	(pence)	**19.2**	**19.0**	16.9	16.6

8 Property, plant and equipment and intangible assets

	Property, plant and equipment £’000	**Intangible assets £’000**
28 weeks ended 17 July 2016		
Opening net book amount as at 1 January 2016	67,230	10,073
Exchange adjustments	4,210	463
Additions	6,482	30
Disposals	(12)	-
Depreciation and amortisation	(9,140)	(1,321)
Closing net book amount as at 17 July 2016	68,770	9,245
28 weeks ended 16 July 2017		
Opening net book amount as at 2 January 2017	**70,396**	**8,584**
Exchange adjustments	**1,067**	**110**
Additions	**3,494**	**927**
Disposals	**(14)**	**-**
Depreciation and amortisation	**(9,565)**	**(1,273)**
Closing net book amount as at 16 July 2017	**65,378**	**8,348**

Additions comprise continuing investments to maintain our facilities at state of the art levels, extend the range of products supplied and continuously deliver first class service and increases in production efficiency. At 16 July 2017 commitments for the purchase of property, plant and equipment totalled £nil (2016: £nil).

9 Investments

Investments in joint ventures

	28 weeks ended 16 July 2017 £'000	28 weeks ended 17 July 2016 £’000	52 weeks ended 1 January 2016 £'000
At the beginning of the year	**4,847**	2,396	2,396
Acquisitions	**3,007**	-	-
Profit for the period	**3,880**	1,480	3,056
Dividends received	**(2,023)**	(1,105)	(1,184)
Effect of movements in foreign exchange	**116**	433	579
At the end of the year	**9,827**	3,204	4,847

10 Borrowings

	16 July 2017 £'000	17 July 2016 £'000	1 January 2017 £'000
Current	**11,432**	12,125	9,567
Non-current	**10,062**	22,512	17,409
Total borrowings	**21,494**	34,637	26,976

Movements in borrowings is analysed as follows:

	28 weeks ended 16 July 2017 £'000	28 weeks ended 17 July 2016 £'000	52 weeks ended 1 January 2017 £'000
Opening amount	**26,976**	40,133	40,133
Exchange adjustments	**332**	1,579	1,713
Repayment of borrowings	**(5,814)**	(7,075)	(14,870)
Closing amount	**21,494**	34,637	26,976

11 Ordinary shares

	Number of shares (thousands)	**Ordinary shares £'000**	**Total £'000**
At 1 January 2016	72,863	7,286	7,286
Issue of new shares on exercise of employee share options	307	31	31
At 17 July 2016	73,170	7,317	7,317
At 2 January 2017	**73,552**	**7,355**	**7,355**
Issue of new shares on exercise of employee share options	**438**	**44**	**44**
At 16 July 2017	**73,990**	**7,399**	**7,399**

12 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.

Transactions between related parties on an arm's length basis were as follows:

	28 weeks ended 16 July 2017 £'000	28 weeks ended 17 July 2016 £'000	52 weeks ended 1 January 2017 £'000
Hilton Food Solutions Limited - Sales	**4,746**	-	5,564
Woolworths Limited and subsidiaries - Recharge of joint venture costs	**304**	907	1,010
Sohi Meat Solutions Distribuicao de Carnes SA - Recharge of joint venture costs	**113**	-	-

Amounts owing from related parties were as follows:

	16 July 2017 £'000	17 July 2016 £'000	1 January 2017 £'000
Hilton Food Solutions Limited	**1,934**	-	978
Woolworths Limited and subsidiaries	**339**	436	69
Sohi Meat Solutions Distribuicao de Carnes SA	**113**	-	-

13 Financial instruments

The fair value of the financial assets and liabilities approximate to their carrying amounts.

Independent review report

Independent review report to Hilton Food Group plc

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed Hilton Food Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the half year report of Hilton Food Group plc for the 28 week period ended 16 July 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed
The interim financial statements comprise:
- the Balance sheet as at 16 July 2017;
- the Income statement and Statement of comprehensive income for the period then ended
- the Cash flow statement for the period then ended;
- the Statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors
The half year report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of condensed consolidated financial statements involves
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.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Belfast

11 September 2017

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