Tuesday 11 September 2018

Hilton Food Group plc

Interim results for the 28 weeks to 15 July 2018

Delivering on our strategies to build a significantly bigger business

Hilton Food Group plc, the leading specialist international food packing business, is pleased to announce its interim results for the 28 weeks to 15 July 2018.

Financial and strategic highlights

	2018	2017	Change	
	28 weeks to 15 July 2018	28 weeks to 16 July 2017	Reported	Constant currency
Volume [1] (tonnes)	**181,255**	**160,848**	**12.7%**	
Revenue	**£863.6m**	**£690.7m**	**25.0%**	**24.5%**
Adjusted results [2]				
Operating profit	**£23.6m**	**£18.8m**	**25.3%**	**24.8%**
Profit before tax	**£22.3m**	**£18.4m**	**20.9%**	**20.3%**
Basic earnings per share	**21.2p**	**19.2p**	**10.4%**	**10.4%**
IFRS results				
Operating profit	**£22.3m**	**£18.8m**	**18.4%**	
Profit before tax	**£21.0m**	**£18.4m**	**13.9%**	
Basic earnings per share	**20.0p**	**19.2p**	**4.2%**	
Cash (outflow)/inflow before minorities, dividends and financing	**£(7.1)m**	**£16.1m**		
Net cash	**£5.8m**	**£38.9m**		
Interim dividend	**5.6p**	**5.0p**	**12.0%**	

Notes
1 Volume includes 50% share of the Australian and Portuguese joint venture activities
2 Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation £1.3m (2017: £nil). Unless otherwise stated financial metrics in the Financial and strategic highlights, Review of operations and Financial review refer to the Adjusted results

- Volume growth driven by UK including Seachill, Ireland and Australia
- Turnover up 24.5% on a constant currency basis boosted by volume growth and higher unit fish pricing
- Operating profit up 24.8% on a constant currency basis driven by Seachill acquisition after absorbing higher central costs and set up costs in Australia
- New Seachill business has delivered on expectations; successful integration into the Group
- Full operational control of Australian joint venture facilities from July 2018
- Continued strong cash generation and significant capex in the period with further future investments planned
- Interim dividend increased from 5.0p to 5.6p, an increase of 12.0%

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

"Hilton has continued to deliver on its strategies to build a significantly bigger more diversified business. We achieved strong volume and profit growth during the period including the integration of Seachill and the launch of a fresh food offering in Central Europe. We have further extended our geographical reach in Australia where we commenced production and took operational control of two existing facilities whilst constructing a further facility and designing a new facility in New Zealand, which further extends our geographical reach. We remain committed to growing our business through innovation and product development as well as continuing to explore opportunities to expand the business both at home and abroad."

Enquiries:

Hilton Food Group Tel: +44 (0) 1480 387214
Robert Watson OBE, Executive Chairman
Philip Heffer, Chief Executive Officer
Nigel Majewski, Chief Financial Officer

Citigate Dewe Rogerson Tel: +44 (0) 207 638 9571
Angharad Couch
Ellen Wilton

This announcement contains inside information.

Cautionary statement

This interim management report contains forward-looking statements. Such statements are based on current expectations and assumptions and are subject to risk factors and uncertainties which we believe are reasonable. Accordingly Hilton's actual future results may differ materially from the results expressed or implied in these forward-looking statements. We do not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Review of operations

The Group is presenting its interim results for the 28 weeks to 15 July 2018, together with comparative information for the 28 weeks to 16 July 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 into Australasia is progressively reducing Hilton's dependence on any one national economy which is a significant strength of the business model.

Hilton's results are reported in Sterling and are therefore 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 15 July 2018 the average exchange rates for these overseas currencies have generally strengthened against Sterling compared with the corresponding period in 2017. The Euro, Danish Krone and Polish Zloty strengthened by 2.2% to 3.5% while the Swedish Krona weakened by 3.3% and Australian Dollar weakened by 6.5%.

The overall performance in the period was good boosted by the first full inclusion of the Seachill business, recovery of the business in Central Europe and further strategic progress in Australia.

Western Europe

Operating profit of £24.9m (2017: £20.0m) on turnover of £810.1m (2017: £643.6m)

This operating segment covers the Group's businesses in the UK (including Seachill), Ireland, Holland, Sweden, Denmark and the Portuguese joint venture. Volume growth of 11.9% reflects primarily the inclusion of Seachill which was acquired in November 2017. There was also volume growth in the UK and Ireland. Turnover increased by 25.5% on a constant currency basis reflecting the higher volumes boosted by higher unit fish pricing. Operating margins were stable at 3.1% (2017: 3.1%).

Good progress has been made in a number of markets supporting our customers with their initiatives. The new Seachill business is integrating well and strategic options for expanding the fish category are being developed. The joint venture in Portugal is showing good progress. In Denmark we invested in the long term relationship with our customer by purchasing the facility freehold property during the period.

Central Europe

Operating profit of £1.2m (2017: £0.4m) on turnover of £51.5m (2017: £47.1m)

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. Volumes increased by 2.9% with constant currency sales up 5.6% and operating margins recovered to 2.3% (2017: 0.8%) as the business continues its performance resurgence.

The supply of fresh foods commenced during the period and work is continuing to build a state of the art factory in Poland.

Central costs and other

Net operating cost £2.5m (2017: £1.6m) on turnover of £2.0m (2017: £nil)

This segment includes the results of our operations in Australasia and also central costs.

In Australia the Group operates a joint venture with Woolworths, under which it earns a 50% share of the agreed service fees charged by the joint venture company based on the volume of retail packed meat delivered to Woolworths' stores produced by its plants in Bunbury, Western Australia and Truganina, Victoria. We took full operational control of these plants from July 2018. We also supported our customer by commissioning a mince production line from a satellite facility in Brisbane, Queensland during the period. Accordingly volumes increased by 27.6% over 2017. We continue to construct a new facility in Brisbane where work is very well advanced and we are also designing a new facility in New Zealand. Start-up and support costs increased as a result of these activities. Our profit including service fee income and turnover after deducting operating costs during the period was £1.8m (2017: £1.7m).

Central costs were higher at £4.3m (2017: £3.3m) as we progressively increase resources to manage our growth successfully.

Strategic progress

Hilton's relationship with Woolworths has progressed into a new phase with the restructuring of the joint venture. We took full operational control of the Bunbury and Truganina plants under 15 year supply agreements with the employees transferring to Hilton and we will acquire the plant assets following a two year transitional period. This extension to the current partnership will enable Hilton to continue to service Woolworths with best in class quality, availability and innovative meat products across Woolworth's expansive store network.

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 during the period was £40.6m (2017: £4.4m) including investments in the new Australian facility and Central Europe fresh food factory and also the purchase of the existing Danish facility.

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 including opportunities to expand the fish category, well invested production facilities, a broad geographic customer spread, and flexible procurement capabilities, the Group is well equipped for future growth 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 will continue to explore opportunities to invest and grow the business in both domestic and overseas markets.

Financial review

Hilton's underlying financial performance continued to be good. Volumes increased by 12.7% reflecting growth in the UK including Seachill, Ireland, and Australia. Turnover increased by 25.0% to £863.6m (2017: £690.7m) and by 24.5% 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 2018 was £23.6m, 25.3% higher than in the previous year (2017: £18.8m) and 24.8% higher on a constant currency basis including contribution from the recent Seachill acquisition and recovery in Central Europe. IFRS operating profit for the first 28 weeks of 2018 was £22.3m (2017: £18.8m). The operating profit margin at 2.7% was unchanged compared to last year (2017: 2.7%).

Net finance costs increased to £1.3m (2017: £0.4m) mainly reflecting higher borrowings to finance the Seachill acquisition and its working capital. Interest cover was 17 times (2017: 43 times).

The taxation charge for the period was £3.9m (2017: £3.2m) representing an effective underlying rate of tax of 17.4% slightly lower than 17.6% in 2017. The IFRS taxation charge was £3.6m (2017: £3.2m) representing an effective underlying rate of tax of 17.3%.

Net income, representing profit for the year attributable to owners of the parent, of £17.3m was 22.2% above last year (2017: £14.1m) reflecting higher operating profit partially offset by higher interest and taxation charges. IFRS net income was £16.2m (2017: £14.1m).

Basic earnings per share in the first 28 weeks of 2018, at 21.2p, were 10.4% above last year's level reflecting the growth in operating profit partly offset by the impact of shares issued in connection with the Seachill acquisition. IFRS basic earnings per share were 20.0p (2017: 19.2p).

EBITDA increased to £35.5m for the period (2017: £29.6m) broadly reflecting the new Seachill contribution.

In the first 28 weeks the Group absorbed £7.1m of cash outflow, before minorities, dividends and financing (2017: cash inflow £16.1m) with net cash generated from operations of £28.8m (2017: £21.4m) being offset by significant capital expenditure. Cash balances at 15 July 2018 were £83.2m including the other financial asset comprising a treasury deposit which, net of borrowings of £77.4m, resulted in a net cash position of £5.8m (£38.9m net cash at 16 July 2017 and £25.4m net cash at 31 December 2017). At 15 July 2018 the Group had undrawn committed loan facilities of £128.4m (£160.0m at 31 December 2017).

The Directors have approved the payment of an interim dividend of 5.6p per ordinary share (2017: 5.0p). This interim dividend amounting to £4.6m will be paid on 30 November 2018 to shareholders on the register at close of business on 2 November 2018.

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 2022. 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 21 to 24 of the Hilton Food Group plc 2017 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 and fish 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;
- Under growth conditions 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 food 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 fish 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 risks and uncertainties are expected to remain unchanged for the remainder of the 2018 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 15 July 2018.

Robert Watson OBE	**Philip Heffer**
Executive Chairman	Chief Executive Officer

10 September 2018

Statement of Directors' responsibilities

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

(a) an indication of important events during the first 28 weeks and their impact on the condensed interim financial statements, and a description of principal risks and uncertainties for the remaining 24 weeks of the financial year; and
(b) material related party transactions in the first 28 weeks and any material changes in related party transactions described in the last annual report.

The Directors of Hilton Food Group plc were listed in the Hilton Food Group plc Annual report and financial statements 2017. Since 31 December 2017 Colin Smith left the Board and Angus Porter was appointed to the Board. A list of current Directors is maintained on the Hilton Food Group plc website at www.hiltonfoodgroupplc.com.

On behalf of the Board

Robert Watson OBE
Executive Chairman

Nigel Majewski
Chief Financial Officer

Income statement

Continuing operations	Notes	**28 weeks ended 15 July 2018 £'000**	28 weeks ended 16 July 2017 £'000
Revenue	4	**863,623**	690,737
Cost of sales		**(755,662)**	(608,566)
Gross profit		**107,961**	82,171
Distribution costs		**(8,472)**	(5,939)
Administrative expenses		**(81,199)**	(61,274)
Share of profit in joint venture		**4,022**	3,880
Operating profit	4	**22,312**	18,838
Finance income		**27**	17
Finance costs		**(1,372)**	(448)
Finance costs – net		**(1,345)**	(431)
Profit before income tax		**20,967**	18,407
Income tax expense	5	**(3,633)**	(3,232)
Profit for the period		**17,334**	15,175
Profit attributable to:			
Owners of the parent		**16,244**	14,144
Non-controlling interests		**1,090**	1,031
		17,334	15,175
Earnings per share for profit attributable to owners of the parent			
- Basic (pence)	7	**20.0**	19.2
- Diluted (pence)	7	**19.7**	19.0

Statement of comprehensive income

	28 weeks ended 15 July 2018 £'000	28 weeks ended 16 July 2017 £'000
Profit for the period	**17,334**	15,175
Other comprehensive income		
Currency translation differences	**(1,969)**	2,138
Other comprehensive income for the period net of tax	**(1,969)**	2,138
Total comprehensive income for the period	**15,365**	17,313
Total comprehensive income attributable to:		
Owners of the parent	**14,295**	16,161
Non-controlling interests	**1,070**	1,152
	15,365	17,313

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

Balance sheet

	Notes	**15 July 2018 £'000**	16 July 2017 £'000	31 December 2017 £'000
Assets				
Non-current assets				
Property, plant and equipment	8	**109,047**	65,378	80,596
Intangible assets	8	**70,979**	8,348	73,263
Investments	9	**9,645**	9,827	10,273
Deferred income tax assets		**1,643**	1,019	1,624
		191,314	84,572	165,756
Current assets				
Inventories		**53,634**	23,754	51,458
Trade and other receivables		**132,616**	121,627	137,380
Current income tax assets		**2,764**	1,567	-
Other financial asset		**7,682**	-	7,913
Cash and cash equivalents		**75,546**	60,376	70,853
		272,242	207,324	267,604
Total assets		**463,556**	291,896	433,360
Equity and liabilities				
Equity				
Share capital	11	**8,158**	7,399	8,135
Share premium		**63,281**	8,795	62,335
Employee share schemes reserve		**4,165**	5,245	5,723
Foreign currency translation reserve		**2,931**	4,983	4,880
Retained earnings		**113,202**	101,314	108,358
Reverse acquisition reserve		**(31,700)**	(31,700)	(31,700)
Merger reserve		**919**	919	919
Equity attributable to owners of the parent		**160,956**	96,955	158,650
Non-controlling interests		**4,507**	5,186	5,094
Total equity		**165,463**	102,141	163,744
Liabilities				
Non-current liabilities				
Borrowings	10	**63,940**	10,062	38,056
Deferred income tax liabilities		**5,939**	1,549	6,166
		69,879	11,611	44,222
Current liabilities				
Borrowings	10	**13,474**	11,432	15,268
Trade and other payables		**214,740**	166,712	209,586
Current income tax liabilities		**-**	-	540
		228,214	178,144	225,394
Total liabilities		**298,093**	189,755	269,616
Total equity and liabilities		**463,556**	291,896	433,360

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

Statement of changes in equity

		Attributable to owners of the parent									
	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
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
Balance at 1 January 2018		**8,135**	**62,335**	**5,723**	**4,880**	**108,358**	**(31,700)**	**919**	**158,650**	**5,094**	**163,744**
Comprehensive income											
Profit for the period		**-**	**-**	**-**	**-**	**16,244**	**-**	**-**	**16,244**	**1,090**	**17,334**
Other comprehensive income											
Currency translation differences		**-**	**-**	**-**	**(1,949)**	**-**	**-**	**-**	**(1,949)**	**(20)**	**(1,969)**
Total comprehensive income		**-**	**-**	**-**	**(1,949)**	**16,244**	**-**	**-**	**14,295**	**1,070**	**15,365**
Transactions with owners											
Issue of new shares	**11**	**23**	**946**	**-**	**-**	**-**	**-**	**-**	**969**	**-**	**969**
Adjustment in respect of employee share schemes		**-**	**-**	**(1,558)**	**-**	**-**	**-**	**-**	**(1,558)**	**-**	**(1,558)**
Dividends paid	**6**	**-**	**-**	**-**	**-**	**(11,400)**	**-**	**-**	**(11,400)**	**(1,657)**	**(13,057)**
Total transactions with owners, recognised directly in equity		**23**	**946**	**(1,558)**	**-**	**(11,400)**	**-**	**-**	**(11,989)**	**(1,657)**	**(13,646)**
Balance at 15 July 2018		**8,158**	**63,281**	**4,165**	**2,931**	**113,202**	**(31,700)**	**919**	**160,956**	**4,507**	**165,463**

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

Cash flow statement

	28 weeks ended 15 July 2018 £'000	28 weeks ended 16 July 2017 £'000
Cash flows from operating activities		
Cash generated from operations	**37,314**	26,511
Interest paid	**(1,372)**	(448)
Income tax paid	**(7,116)**	(4,677)
Net cash generated from operating activities	**28,826**	21,386
Cash flows from investing activities		
Dividends received from joint venture	**4,484**	2,023
Investment in joint venture	**-**	(3,007)
Purchases of property, plant and equipment	**(40,162)**	(3,494)
Proceeds from sale of property, plant and equipment	**89**	53
Purchases of intangible assets	**(399)**	(927)
Interest received	**27**	17
Net cash used in investing activities	**(35,961)**	(5,335)
Cash flows from financing activities		
Proceeds from borrowings	**28,907**	-
Repayments of borrowings	**(4,571)**	(5,814)
Issue of new shares	**969**	1,566
Dividends paid to owners of the parent	**(11,400)**	(9,249)
Dividends paid to non-controlling interests	**(1,657)**	(2,579)
Net cash generated from/(used in) financing activities	**12,248**	(16,076)
Net increase/(decrease) in cash and cash equivalents	**5,113**	(25)
Cash and cash equivalents at beginning of the period	**70,853**	59,304
Exchange (losses)/gains on cash and cash equivalents	**(420)**	1,097
Cash and cash equivalents at end of the period	**75,546**	60,376

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

1 General information

Hilton Food Group plc (“the Company”) and its subsidiaries (together “the Group”) is the leading specialist international food 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 10 September 2018.

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 31 December 2017 were approved by the Board of Directors on 30 March 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

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

2 Basis of preparation

This condensed consolidated interim financial information for the 28 weeks ended 15 July 2018 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 31 December 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 31 December 2017.

3 Accounting policies

The accounting policies adopted in the preparation of the interim report are consistent with those applied in the preparation of the Group’s annual report for the year ended 31 December 2017, except for the adoption of new standards and interpretations as noted below:

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

IFRS 9 Financial Instruments
IFRS 9 covers the classification, measurement and derecognition of financial assets and liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment. The Group conducted an impact assessment which did not identify any differences in the recognition and measurement of financial liabilities and therefore the introduction of this standard has had no impact on the financial performance or position for the 28 weeks to 15 July 2018.

IFRS 15 Revenue from Contracts with Customers
The new standard provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when the control of goods or services is transferred to the customer. The Group has assessed the impact of this new standard on its existing policies and no material differences have been identified in the recognition of revenue from the current recognition policy.

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 food protein products including meat and fish. 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 15 July 2018		
Western Europe	**810,160**	**23,578**
Central Europe	**51,490**	**1,207**
Central costs and other	**1,973**	**(2,473)**
Total	**863,623**	**22,312**
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

	15 July 2018 £'000	16 July 2017 £'000	31 December 2017 £'000
Total assets			
Western Europe	**384,667**	241,757	379,268
Central Europe	**25,149**	23,608	18,603
Central costs and other	**49,333**	23,945	33,865
Total segment assets	**459,149**	289,310	431,736
Current income tax assets	**2,764**	1,567	-
Deferred income tax assets	**1,643**	1,019	1,624
Total assets per balance sheet	**463,556**	291,896	433,360

There are no significant seasonal fluctuations.

5 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the 52 weeks to 30 December 2018 is 17.3%. The estimated average annual effective tax rate for the 28 weeks ended 16 July 2017 was 17.6%.

6 Dividends

	28 weeks ended 15 July 2018 £'000	28 weeks ended 16 July 2017 £'000
Final dividend paid 14.0p per ordinary share (2017: 12.5p)	**11,400**	9,249
Total dividends paid	**11,400**	9,249

The Directors have approved the payment of an interim dividend of 5.6p per share payable on 30 November 2018 to shareholders who are on the register at 2 November 2018. This interim dividend, amounting to £4.6m 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 30 December 2018.

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 15 July 2018		28 weeks ended 16 July 2017	
		Basic	**Diluted**	Basic	Diluted
Profit attributable to equity holders of the Company	(£'000)	**16,244**	**16,244**	14,144	14,144
Weighted average number of ordinary shares in issue	(thousands)	**81,391**	**81,391**	73,757	73,757
Adjustment for share options	(thousands)	**-**	**946**	-	755
Adjusted weighted average number of ordinary shares	(thousands)	**81,391**	**82,337**	73,757	74,512
Basic and diluted earnings per share	(pence)	**20.0**	**19.7**	19.2	19.0

8 Property, plant and equipment and intangible assets

	Property, plant and equipment £'000	Intangible assets £'000
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
28 weeks ended 15 July 2018		
Opening net book amount as at 1 January 2018	**80,596**	**73,263**
Exchange adjustments	**(958)**	**(162)**
Additions	**40,162**	**399**
Disposals	**(37)**	**-**
Depreciation and amortisation	**(10,716)**	**(2,521)**
Closing net book amount as at 15 July 2018	**109,047**	**70,979**

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 15 July 2018 commitments for the purchase of property, plant and equipment totalled £22.8m (2017: £nil). In addition, as part of the agreement to restructure the Australian meat processing joint venture the Group has committed to acquire plant assets in 2020 for a book value expected to be A$85m.

9 Investments

Investments in joint ventures

	28 weeks ended 15 July 2018 £'000	28 weeks ended 16 July 2017 £'000	52 weeks ended 31 December 2017 £'000
At the beginning of the year	**10,273**	4,847	4,847
Acquisitions	**-**	3,007	3,177
Profit for the period	**4,022**	3,880	4,387
Dividends received	**(4,484)**	(2,023)	(2,008)
Effect of movements in foreign exchange	**(166)**	116	(130)
At the end of the year	**9,645**	9,827	10,273

10 Borrowings

	15 July 2018 £'000	16 July 2017 £'000	31 December 2017 £'000
Current	**13,474**	11,432	15,268
Non-current	**63,940**	10,062	38,056
Total borrowings	**77,414**	21,494	53,324

Movements in borrowings is analysed as follows:

	28 weeks ended 15 July 2018 £'000	28 weeks ended 16 July 2017 £'000	52 weeks ended 31 December 2017 £'000
Opening amount	**53,324**	26,976	26,976
Exchange adjustments	**(246)**	332	(55)
New borrowings	**28,907**	-	42,695
Repayment of borrowings	**(4,571)**	(5,814)	(16,292)
Closing amount	**77,414**	21,494	53,324

11 Ordinary shares

	Number of shares (thousands)	**Ordinary shares £'000**	**Total £'000**
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
At 1 January 2018	**81,348**	**8,135**	**8,135**
Issue of new shares on exercise of employee share options	**231**	**23**	**23**
At 15 July 2018	**81,579**	**8,158**	**8,158**

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 15 July 2018 £'000	28 weeks ended 16 July 2017 £'000	52 weeks ended 31 December 2017 £'000
Woolworths Limited and subsidiaries - Recharge of joint venture costs	**171**	304	329
Sohi Meat Solutions Distribuicao de Carnes SA - Fee for services	**-**	-	4,349
Sohi Meat Solutions Distribuicao de Carnes SA - Recharge of joint venture costs	**158**	113	209

Amounts owing from related parties were as follows:

	15 July 2018 £'000	16 July 2017 £'000	31 December 2017 £'000
Woolworths Limited and subsidiaries	**5**	339	14
Foods Connected Limited	**170**	113	170
Sohi Meat Solutions Distribuicao de Carnes SA	**159**	113	4,515

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 15 July 2018. 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 15 July 2018;
- 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

10 September 2018

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.