HILTON FOODS

15 September 2022

Hilton Food Group plc

Interim results for the 28 weeks to 17 July 2022

Driving long-term value during challenging times

Hilton Food Group plc, a leading international protein producer, is pleased to announce its interim results for the 28 weeks to 17 July 2022.

Financial highlights:

- Volumes 3.6% higher at 271,708 tonnes (2021: 262,222 tonnes)
- Revenue up 20.4%[1] to £2.0bn (2021: £1.7bn) driven by volume growth and raw material price inflation
- Adjusted operating profit up 7.3%[1] to £41.2m (2021: £39.0m)
- IFRS operating profit up 5.6% to £30.8m (2021: £29.2m)
- Adjusted profit before tax 3.9% lower to £34.4m (2021: £35.8m) impacted by higher interest costs
- IFRS profit before tax 9.7% lower to £19.6m (2021: £21.7m)
- Adjusted basic earnings per share down 12.0%[1] to 28.0p (2021: 32.4p)
- IFRS basic earnings per share down 23.0% to 15.1p (2021: 19.6p)
- Net bank debt increased to £221.0m (2021: £134.9m) following Foppen acquisition
- Interim dividend of 7.1p (2021: 8.2p)

[1] On a constant currency basis

Strategic highlights:

1. **Outstanding protein products**
   - Meat and seafood 3-year volume growth +10% per annum
   - Vegan & vegetarian 3-year volume growth +40% per annum
   - Added value easier meals 3-year volume growth +72% per annum

2. **Growing across international markets**
   - One year anniversary of new food park in New Zealand; facility progressing well and production ramping up
   - Rollout of food park prototype via agreement for new food park in Sweden
   - Growth in international scale through Foppen acquisition entering US; integration progressing well

3. **Prioritising industry-leading technology**
   - Investment in one of the leading UK cultured meat technology ventures, Cellular Agriculture Ltd
   - Growth and geographical diversification of Agito partnership into Europe
   - Increased ownership of Foods Connected to 65% further strengthening technology and automation leadership

4. **Delivered through the sustainable protein plan**
   - Continued progress made against all pillars in our ESG strategy particularly through increased recycled content within our packaging materials

Commenting on the results Chief Executive Philip Heffer said:
"In the first half of the year Hilton has further strengthened its position as the international protein partner of choice. We have continued to focus on our strategy of diversification and differentiation, driving a further increase in volumes, sales and operating profit.

"At a time when inflationary headwinds have become more pronounced, we have made further progress in broadening and deepening our protein offer, while expanding our footprint across international markets. At the same time, we have made ongoing investment to ensure we lead in technology and automation, with sustainability central to everything we do.

"Our acquisition of smoked salmon producer Foppen has taken us into the US for the first time, and its integration into the Group continues to progress well. Meanwhile, the success of our Food Park in New Zealand has led to us agreeing to a new concept facility in Sweden.

"Elsewhere, we are pleased to be investing in Cellular Agriculture, a market leader in cultured meat, at a time when interest in the category is gaining traction, not least given its environmental benefits.

"In the current macroeconomic environment, Hilton has not been immune from the impact of heightened inflation. While we remain watchful of any near-term changes in consumer sentiment, we believe that our international scale, strong customer relationships, and diversified protein offer leaves us well-placed within a growing global market."

Financial performance – overview:

	2022 28 weeks to 17 July 2022	2021 28 weeks to 18 July 2021	Change Reported	 1-year constant currency	 3-year constant currency
Volume [1] (tonnes)	**271,708**	**262,222**	**3.6%**	**3.6%**	**12.0%**
Revenue	**£2,038.7m**	**£1,710.7m**	**19.2%**	**20.4%**	**31.0%**
Adjusted results [2]					
Adjusted operating profit	**£41.2m**	**£39.0m**	**5.6%**	**7.3%**	
Adjusted profit before tax	**£34.4m**	**£35.8m**	**-3.9%**	**-2.5%**	
Adjusted basic earnings per share	**28.0p**	**32.4p**	**-13.6%**	**-12.0%**	
Adjusted EBITDA	**£66.6m**	**£63.9m**	**4.3%**	**5.7%**	
IFRS results					
Operating profit	**£30.8m**	**£29.2m**	**5.6%**		
Profit before tax	**£19.6m**	**£21.7m**	**-9.7%**		
Basic earnings per share	**15.1p**	**19.6p**	**-23.0%**		
Other measures					
EBITDA	**£71.9m**	**£71.7m**	**0.3%**		
Net bank debt [3]	**£221.0m**	**£134.9m**			
Interim dividend	**7.1p**	**8.2p**	**-13.4%**		

Notes
1 Volume includes 50% share of the Dutch (2021 only) and Portuguese joint venture activities
2 Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation and exceptional items and also IFRS 16 lease adjustments as detailed in the Alternative performance measures note 16. Unless otherwise stated financial metrics in the Financial and strategic highlights, Review of operations and Financial review refer to the adjusted results
3 Net bank debt represents borrowings less cash and cash equivalents excluding lease liabilities

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This announcement contains inside information.

About Hilton

Hilton Food Group plc is a leading international multi-protein producer, serving customers and retail partners across the world with high quality meat, seafood, vegan and vegetarian foods and meals. We are a business of over 6,000 employees, operating from 24 technologically advanced food processing, packing and logistics facilities across 19 markets in Europe, Asia Pacific and North America. For almost thirty years, our business has been built on dedicated partnerships with our customers and suppliers, many forged over several decades, and together we target long-term, sustainable growth and shared value. We supply our customers with high quality, traceable, and assured food products, with high standards of technical excellence and expertise.

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.

Alternative performance measures (APMs)

Hilton uses Alternative Performance Measures (APMs) to monitor the underlying performance of the Group. Management considers that APMs better reflect business performance and provide useful information in line with how management monitor and manage the business day-to-day.

Review of operations

The Group is presenting its interim results for the 28 week period to 17 July 2022, together with comparative information for the 28 weeks to 18 July 2021. These interim results are prepared in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. Unless otherwise stated the financial metrics refer to the adjusted results.

Performance overview

During the period, Hilton made continued progress against its stated ambition of becoming the international protein partner of choice. This was achieved by the Group utilising its scale and expertise to deepen existing customer relationships while creating new partnerships with leading international retailers and food service providers.

In the half the Group worked closely with its customers to pursue both geographical expansion and range extension, underpinned by continued investment in best-in-class technology and automation.

Against the current macroeconomic backdrop, Hilton's position was strengthened by its differentiated business model and diversified product set across the proteins – in meat, seafood, vegetarian, vegan, and easier meals.

Performance in the period saw revenue grow by 19.2% with volumes 3.6% higher including the new acquisitions Foppen, Dalco and Fairfax Meadow as well as the new facility in New Zealand. Revenues reflect significant raw material price inflation. Over a three-year period revenue and volumes grew at an average 12.0% at constant currency and 31.0% per year respectively. The operating margin was 2.0% (2021: 2.3%) impacted by the raw material price inflation although the operating margin per kg increased to 15.2p per kg (2021: 14.9p per kg).

Hilton's results, 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 17 July 2022 Sterling strengthened slightly on average compared with the corresponding period in 2021 which has the effect of decreasing revenues by 1.3%.

Europe

Operating profit of £31.6m (2021: £35.3m) on revenue of £1,211.0m (2021: £1,076.1m)

This operating segment covers the Group's meat, fish and vegetarian businesses and joint ventures in the UK, Holland, Belgium, Ireland, Sweden, Denmark, Central Europe and Portugal. Our products are sold in 14 countries across Europe.

Volumes were 1.7% higher including continued fresh food growth, expansion into new geographies and new customer partnerships in channels. Revenue increased by 14.7% on a constant currency basis mainly due to raw material price inflation. Operating margins fell to 2.6% (2021: 3.3%) with our Seafood business significantly impacted by effects of the Ukraine conflict and wider inflationary pressures as well as a short-term investment in price.

During the period Hilton increased its ownership of Hilton Food Solutions from 55% to 65% which also made a 25% investment in A Turner & Sons Sausage Ltd, a butcher products supplier.

In June 2021 the Group's facility in Belgium suffered an extensive fire and we continue to work closely with insurers to progress the related claims.

APAC

Operating profit of £13.0m (2021: £11.7m) on revenue of £827.7m (2021: £634.6m)

In Australia, the Group operates plants in Bunbury, Western Australia, Melbourne, Victoria and Brisbane, Queensland. A new facility in New Zealand opened in July 2021.

Volumes during the period increased by 7.9% reflecting the New Zealand start-up which continues to ramp up its operations. Revenues were 30.1% higher on a constant currency basis reflecting raw material inflation in addition to the higher volumes. Operating margins were 1.6% (2021: 1.8%).

Strategic progress

We completed the acquisition of Foppen, a specialist smoked salmon business with facilities in the Netherlands and Greece, in March 2022 which enhances our existing fish portfolio and is an entry point for us into the North American retail market.

We continue to develop and apply automation, robotics and technology services and during the period Hilton's investment in Foods Connected increased from 50% to 65%. Its software platform offers end-to-end transparency in supply chains enabling more effective and more agile decisions. Foods Connected continues to grow and develop internationally is also diversifying into non-food categories. We have also agreed a joint venture with Agito, an Australian automation and technology solutions business, which brings together excellence in automation and food service supply chain expertise.

We are pleased to announce an agreement to invest in a leading UK cultured meat technology venture, Cellular Agriculture Limited ("CellAg"). CellAg has pioneered the development of new technology for the production of cultured meat at commercial scale and low unit cost. This investment from Hilton will help CellAg develop commercially scalable technology for cultured meat and gives Hilton the right to subscribe to a majority shareholding. CellAg's core technology sits at a footprint some 300 times smaller than alternative bioprocess techniques and with a forecast 70% reduction in operational cost. CellAg's ambition is to cement themselves as the global technology solutions lead for the cultured meat industry. Hilton's investment will be conditional on achieving certain milestones in its technological development process. CellAg's founders, CEO Illtud Dunsford and Chief Technology Officer Professor Marianne Ellis, will continue to lead the company and will retain material shareholdings.

We continue to make good progress through our sustainable protein plan including the introduction of film with 30% recycled content and pad-less liquid retaining packaging. We have also introduced ESG performance metrics into our LTIP Scheme including targets for Scope 1 & 2 energy efficiency, packaging recycled content and food waste.

Investments in our facilities

Hilton continues to invest in all its facilities maintaining state of the art levels required to service our 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 we can achieve low unit costs and competitive selling prices at increasingly higher levels of production throughput. Capital expenditure during the period was £26.0m (2021: £27.0m) which included ongoing investment technology and automation to drive processing efficiency at our Seafood business and the commissioning of an air bridge in Australia.

Outlook

While we benefit from the strength of our diversified business model and continue to grow volumes internationally, Hilton has not been immune from the impact of macroeconomic headwinds. Across our markets, we have seen volumes come under pressure with the cost of living increasing and consumers becoming ever more cost-conscious. In our Seafood business these trends have been exacerbated with world events leading to unprecedented raw material price increases.

Given these factors, and combined with the impact of start-up costs and rising interest rates, the Board now anticipates that profitability for the year will be below expectations. However despite these short-term challenges Hilton's well-invested business, the recent acquisitions of Foppen, Dalco and Fairfax Meadow and our investments in Agito, Foods Connected and Hilton Food Solutions provide a strong platform for medium-term growth. We continue to explore opportunities for both geographic expansion and growth in our existing markets across the five pillars of our proposition.

Financial review

Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation, exceptional items and IFRS 16 lease adjustments. These adjustments are detailed in the Alternative performance measures note 16. Unless otherwise stated the financial metrics refer to the adjusted results.

Revenue increased by 19.2% to £2,038.7m (2021: £1,710.7m) and by 20.4% on a constant currency basis reflecting higher volumes and significant raw material price inflation. Further details of revenue and volume growth by segment are detailed in the Review of operations above.

Operating profit for the first 28 weeks of 2022 was £41.2m, 5.6% higher than in the previous year (2021: £39.0m) and 7.3% higher on a constant currency basis including contributions from the new acquisitions. The operating profit margin reduced to 2.0% (2021: 2.3%) mainly due the significant raw material price inflation as well as the impact of start-up costs. IFRS operating profit for the first 28 weeks of 2022 was £30.8m (2021: £29.2m) after charging exceptional costs of £3.2m (2021: £9.7m).

Net finance costs excluding exceptional items and lease interest increased to £6.8m (2021: £3.2m) reflecting higher borrowings following the Foppen acquisition and higher benchmark rates. Interest cover was 6 times (2021: 12 times). IFRS net finance costs were £11.2m (2021: £7.5m).

The taxation charge for the period was £8.4m (2021: £8.3m) representing an effective underlying tax rate of 24.3%, compared with 23.0% last year, which is due to the relatively higher profits in the APAC region. The IFRS taxation charge was £5.0m (2021: £4.6m) representing an effective underlying tax rate of 25.7% (2021: 21.1%).

Net income, representing profit for the year attributable to owners of the parent, of £25.0m was 6.0% lower than last year (2021: £26.5m) reflecting increased operating profit but with higher interest costs. IFRS net income was £13.5m (2021: £16.1m).

Basic earnings per share of 28.0p in the first 28 weeks of 2022 were 12.0% below 32.4p last year at constant currency reflecting the lower net income growth in operating profit and a higher average number of issued shares. IFRS basic earnings per share was similarly lower at 15.1p (2021: 19.6p).

EBITDA increased to £66.6m for the period (2021: £63.9m) reflecting higher operating profit and depreciation. IFRS EBITDA was £71.9m (2021: £71.7m).

In the first 28 weeks the Group absorbed £17.4m of cash outflow before acquisitions and financing activities (2021: cash inflow £0.7m). Net cash generated from operations of £8.5m (2021: £28.3m) was impacted by the build-up of working capital following the recent acquisitions.

Cash balances at 17 July 2022 were £96.9m, which net of borrowings of £317.9m, resulted in higher net bank debt of £221.0m (£134.9m at 18 July 2021 and £84.6m at 2 January 2022) following the Foppen acquisition. At 17 July 2022 the Group had undrawn committed facilities under its syndicated banking facilities of £99.8m (£96.8m at 2 January 2022). These banking facilities are subject to covenants comprising net bank debt to EBITDA and interest cover. The Group had significant headroom under these covenants at 17 July 2022 of at least 75% for all these metrics.

The Group has maintained a progressive dividend policy since flotation. Hilton remains financially strong with significant cash balances and undrawn loan facilities, and we continue to operate well within our banking covenants. The Board is satisfied that the Group has adequate headroom under its existing facilities, that it is appropriate to continue to operate and to maintain this dividend policy and have approved the payment of an interim dividend of 7.1p per ordinary share (2021: 8.2p). This interim dividend amounting to £6.4m will be paid on 2 December 2022 to shareholders on the register at close of business on 4 November 2022.

Going concern

The Directors have performed a detailed assessment, including a review of the Group's budget and forecasts for the 2022 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The Group established business continuity plans and flexible supply models in order to continue to meet this increased demand. The resilience of the Group in the face of challenges presented by the current economic uncertainty has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group is able to continue to operate well within its banking covenants and has adequate headroom under its existing committed facilities which do not expire until 2027. The Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these interim financial statements.

The Group's borrowings are detailed in note 12 to this report and the principal banking facilities which support the Group's existing and contracted new business are committed. The Group is in full compliance with all its banking covenants and based on forecasts and sensitized projections is expected to remain in compliance. Future geographical 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 geographical 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. 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 statements.

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 24 to 27 of the Hilton Food Group plc 2021 Annual report. The principal risks and uncertainties identified in that report were:

- The Group strategy focuses on a small number of customers who can exercise significant buying power and influence when it comes to contractual renewal terms at 5 to 15 year intervals;
- The Group's growth potential may be affected by the success of its customers and the growth of their packed food sales;
- The progress of the Group's business is affected by the macroeconomic environment and levels of consumer spending which is influenced by publicity including reports concerning risk of consuming certain foods;
- As Hilton continues to grow there is more reliance on key personnel and their ability to manage growth, change, integration and compliance across new legislative and regulatory environments. This risk increases as the Group continues to expand with new customers and into new territories either organically or through acquisition with potentially greater reliance on stretched skilled resource and execution of simultaneous growth projects;
- The Group's business strength is affected by its ability to maintain a wide and flexible global food supply base operating at standards that can continuously achieve the specifications set by Hilton and its customers;
- Contamination within the supply chain including outbreaks of disease and feed contaminants affecting livestock and fish;
- Significant incidents such as fire, flood, pandemic or interruption of supply of key utilities could impact the Group's business continuity;
- The Group's IT systems could be subject to cyber-attacks, including ransomware and fraudulent external email activity. These kinds of attacks are generally increasing in frequency and sophistication;
- A significant breach of health & safety legislation as complexity increases in managing sites across different product groups and geographies; and
- The Group's business and supply chain is affected by climate change risks comprising both physical and transition risks. Physical risks include long-term rises in temperature and sea levels as well as changes to the frequency and severity of extreme weather events. Transition risks include policy changes, reputational impacts, and shifts in market preferences and technology.

Macroeconomic volatility

Increasing geopolitical and economic uncertainty has the potential to impact our risk profile. We continue to monitor events including the conflict in Ukraine and its impact on energy availability and costs and on supply chains. This together with other inflationary pressures are likely to influence political developments including trade policy, interest rates and industrial unrest. Hilton's Board and risk management structures provide resilient and adaptable strategies to mitigate any potential impact from these evolving risks.

Brexit

The UK and EU regulatory and trade environments continue to evolve and our operational processes develop as required particularly in relation to recruitment and retention strategies and focus on technology and automation to reduce our risk exposure.

The risks and uncertainties outlined above had no material adverse impact on the results for the 28 weeks to 17 July 2022 and are expected to remain virtually unchanged for the remainder of the 2022 financial year.

Philip Heffer
Chief Executive Officer

Matt Osborne
Chief Financial Officer

14 September 2022

Statement of Directors' responsibilities

The Directors confirm that the condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority 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 that have occurred during the first 28 weeks and their impact on the 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 are listed in the 2021 Hilton Food Group plc Annual report and financial statements. Patricia Dimond joined the Board on 1 April 2022. On 24 May 2022 Nigel Majewski and John Worby stepped down from the Board and Matt Osborne joined the Board. There have been no other changes in Directors since 2 January 2022. 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
Chairman

Matt Osborne
Chief Financial Officer

Condensed Consolidated Income statement

		28 weeks ended 17 July 2022	28 weeks ended 18 July 2021
			Restated (note 2)
Continuing operations	Note	£'000	£'000
Revenue	4	**2,038,674**	1,710,672
Cost of sales		**(1,851,250)**	(1,546,046)
Gross profit		**187,424**	164,626
Distribution costs		**(18,314)**	(12,986)
Administrative expenses		**(135,849)**	(113,711)
Exceptional items	5	**(3,183)**	(9,721)
Total administrative expenses		**(139,032)**	(123,432)
Share of profit in joint venture		**721**	952
Operating profit	4	**30,799**	29,160
Finance income		**19**	11
Finance costs		**(11,191)**	(7,519)
Exceptional finance costs	5	**(75)**	-
Total finance costs		**(11,266)**	(7,519)
Finance costs – net		**(11,247)**	(7,508)
Profit before income tax		**19,552**	21,652
Income tax expense		**(6,526)**	(6,997)
Exceptional tax credit	5	**1,502**	2,430
Total income tax expense	6	**(5,024)**	(4,567)
Profit for the period		**14,528**	17,085

Profit attributable to:			
Owners of the parent		**13,455**	16,076
Non-controlling interests		**1,073**	1,009
		14,528	17,085

Earnings per share for profit attributable to owners of the parent			
- Basic (pence)	8	**15.1**	19.6
- Diluted (pence)	8	**14.9**	19.3

Condensed Consolidated Statement of comprehensive income

	28 weeks ended 17 July 2022 £'000	28 weeks ended 18 July 2021 £'000
Profit for the period	**14,528**	17,085
Other comprehensive income/(expense)		
Currency translation differences	**(714)**	(5,567)
Gain on cash flow hedges	**1,756**	-
Other comprehensive income/(expense) for the period net of tax	**1,042**	(5,567)
Total comprehensive income for the period	**15,570**	11,518

Total comprehensive income attributable to:		
Owners of the parent	**14,421**	10,749
Non-controlling interests	**1,149**	769
	15,570	11,518

The notes form an integral part of these interim financial statements.

Condensed Consolidated Balance sheet

	Note	**17 July 2022 £'000**	18 July 2021 £'000	2 January 2022 £'000
Assets				
Non-current assets				
Property, plant and equipment	9	**316,743**	276,040	291,488
Lease: Right-of-use asset	9	**222,218**	218,530	222,004
Intangible assets	9	**153,732**	69,272	105,775
Investments	10	**5,723**	11,628	5,539
Trade and other receivables		**-**	-	2,239
Deferred income tax assets		**12,224**	6,345	6,952
		710,640	581,815	633,997
Current assets				
Inventories		**176,259**	112,767	156,517
Trade and other receivables		**260,079**	225,700	230,388
Current income tax assets		**6,484**	2,982	5,212
Other financial asset		**-**	-	1,140
Derivative financial instruments	15	**4,540**	-	-
Cash and cash equivalents		**96,864**	96,126	140,170
		544,226	437,575	533,427
Total assets		**1,254,866**	1,019,390	1,167,424

Equity and liabilities				
Equity				
Ordinary Share capital	13	**8,938**	8,215	8,893
Share premium		**143,714**	67,335	142,043
Employee share schemes reserve		**6,405**	7,175	6,990
Foreign currency translation reserve		**(2,896)**	(707)	(2,106)
Retained earnings		**170,761**	162,122	176,449
Reverse acquisition reserve		**(31,700)**	(31,700)	(31,700)
Merger reserve		**919**	919	919
Cashflow hedge reserve		**1,756**	-	-
Own shares		**-**	(1,527)	(87)
Equity attributable to owners of the parent		**297,897**	211,832	301,401
Non-controlling interests		**6,157**	6,126	6,548
Total equity		**304,054**	217,958	307,949

Liabilities				
Non-current liabilities				
Borrowings	12	**287,460**	190,153	-
Lease liabilities		**236,202**	226,085	228,977
Deferred income tax liabilities		**12,939**	1,446	4,132
		536,601	417,684	233,109
Current liabilities				
Borrowings	12	**30,389**	40,829	224,732
Lease liabilities		**12,647**	10,679	14,419
Trade and other payables		**371,175**	332,240	387,215
		414,211	383,748	626,366
Total liabilities		**950,812**	801,432	859,475
Total equity and liabilities		**1,254,866**	1,019,390	1,167,424

The notes form an integral part of these interim financial statements.

Condensed Consolidated 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	Cashflow hedge reserve £'000	Own shares £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 4 January 2021		8,194	65,619	6,123	4,620	161,607	(31,700)	919	-	-	215,382	6,556	221,938
Comprehensive income													
Profit for the period		-	-	-	-	16,076	-	-	-	-	16,076	1,009	17,085
Other comprehensive income													
Currency translation differences		-	-	-	(5,327)	-	-	-	-	-	(5,327)	(240)	(5,567)
Total comprehensive income		-	-	-	(5,327)	16,076	-	-	-	-	10,749	769	11,518
Transactions with owners													
Issue of new shares	13	21	1,716	-	-	-	-	-	-	-	1,737	-	1,737
Purchase of shares for employee share plans		-	-	-	-	-	-	-	-	(2,278)	(2,278)	-	(2,278)
Adjustment in respect of employee share schemes		-	-	1,803	-	-	-	-	-	-	1,803	-	1,803
Settlement of employee share schemes		-	-	(751)	-	-	-	-	-	751	-	-	-
Dividends paid	7	-	-	-	-	(15,561)	-	-	-	-	(15,561)	(1,199)	(16,760)
Total transactions with owners, recognised directly in equity		21	1,716	1,052	-	(15,561)	-	-	-	(1,527)	(14,299)	(1,199)	(15,498)
Balance at 18 July 2021		8,215	67,335	7,175	(707)	162,122	(31,700)	919	-	(1,527)	211,832	6,126	217,958
Balance at 3 January 2022		**8,893**	**142,043**	**6,990**	**(2,106)**	**176,449**	**(31,700)**	**919**	**-**	**(87)**	**301,401**	**6,548**	**307,949**
Comprehensive income													
Profit for the period		**-**	**-**	**-**	**-**	**13,455**	**-**	**-**	**-**	**-**	**13,455**	**1,073**	**14,528**
Other comprehensive income													
Currency translation differences		**-**	**-**	**-**	**(790)**	**-**	**-**	**-**	**-**	**-**	**(790)**	**76**	**(714)**
Gain on cash flow hedging		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,756**	**-**	**1,756**	**-**	**1,756**
Total comprehensive income		**-**	**-**	**-**	**(790)**	**13,455**	**-**	**-**	**1,756**	**-**	**14,421**	**1,149**	**15,570**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(349)**	**(349)**
Issue of new shares	**13**	**17**	**1,671**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,688**	**-**	**1,688**
Adjustment in respect of employee share schemes		**-**	**-**	**(470)**	**-**	**-**	**-**	**-**	**-**	**-**	**(470)**	**-**	**(470)**
Settlement of employee share schemes		**28**	**-**	**(115)**	**-**	**-**	**-**	**-**	**-**	**87**	**-**	**-**	**-**
Dividends paid	**7**	**-**	**-**	**-**	**-**	**(19,143)**	**-**	**-**	**-**	**-**	**(19,143)**	**(1,191)**	**(20,334)**
Total transactions with owners, recognised directly in equity		**45**	**1,671**	**(585)**	**-**	**(19,143)**	**-**	**-**	**-**	**87**	**(17,925)**	**(1,540)**	**(19,465)**
Balance at 17 July 2022		**8,938**	**143,714**	**6,405**	**(2,896)**	**170,761**	**(31,700)**	**919**	**1,756**	**-**	**297,897**	**6,157**	**304,054**

The notes form an integral part of these interim financial statements.

Condensed Consolidated Cash flow statement

	28 weeks ended 17 July 2022 £'000	28 weeks ended 18 July 2021 £'000
Cash flows from operating activities		
Cash generated from operations	**27,975**	48,596
Interest paid	**(11,249)**	(7,508)
Income tax paid	**(8,359)**	(12,768)
Net cash generated from operating activities	**8,367**	28,320
Cash flows from investing activities		
Acquisition of subsidiary, net of cash and debt	**(81,821)**	-
Purchase of non-controlling interest	**(1,207)**	-
Settlement of deferred consideration	**-**	(2,500)
Purchases of property, plant and equipment	**(25,494)**	(26,237)
Proceeds from sale of property, plant and equipment	**48**	41
Purchases of intangible assets	**(447)**	(785)
Dividends received from joint venture	**-**	1,823
Interest received	**2**	-
Net cash used in investing activities	**(108,919)**	(27,658)
Cash flows from financing activities		
Proceeds from borrowings	**313,618**	16,815
Repayments of borrowings	**(228,565)**	(24,030)
Payment of lease liabilities	**(7,651)**	(1,290)
Issue of ordinary shares	**-**	1,737
Purchase of own shares	**-**	(2,278)
Dividends paid to owners of the parent	**(19,143)**	(15,561)
Dividends paid to non-controlling interests	**(1,191)**	(1,199)
Net cash generated from/(used in) financing activities	**57,068**	(25,806)
Net decrease in cash and cash equivalents	**(43,484)**	(25,144)
Cash and cash equivalents at beginning of the period	**140,170**	123,816
Exchange gains/(losses) on cash and cash equivalents	**178**	(2,546)
Cash and cash equivalents at end of the period	**96,864**	96,126

The notes form an integral part of these interim financial statements.

Notes to the interim financial statements

1 General information

Hilton Food Group plc (“the Company”) and its subsidiaries (together “the Group”) is a leading international multi-protein food business.

The Company is a public company limited by shares 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.

These interim financial statements were approved for issue on 14 September 2022.

These interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 2 January 2022 were approved by the Board of Directors on 5 April 2022 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.

These interim financial statements have been reviewed, not audited.

2 Basis of preparation

This consolidated interim financial report for the 28 weeks ended 17 July 2022 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Going concern
The consolidated interim financial statements have been prepared on the going concern basis. The Group has undertaken a detailed going concern assessment, including a review of its budget and forecasts for the 2022 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The resilience of the Group in the face of uncertain challenges has then been assessed by applying significant downside sensitivities to the Group’s cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group is able to continue to operate well within its banking covenants and has adequate headroom under its existing committed facilities. The Directors are satisfied that the Group has adequate resources to continue to operate and meet its liabilities as they fall due for a period of at least 12 months from the date of signing these interim financial statements and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated interim financial statements.

Estimates
The preparation of interim financial statements 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 interim financial statements, 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 2 January 2022.

New and amended standards adopted by the Group
A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Prior year restatement
Following a review of expense classification, the Group has reclassified depreciation relating to buildings, plant and machinery from administration expenses to cost of sales as these assets are directly involved in production. As a result, the Group has restated the comparative figures for this reclassification. The restatement has no impact on operating profit and results in gross margin decreasing in PY by £28,553,000.

3 Accounting policies

The accounting policies adopted in the preparation of these interim results are consistent with those applied in the preparation of the Group's annual report for the year ended 2 January 2022 and corresponding interim reporting period.

The Group has recognised exceptional items during the period, the accounting policies in respect of these is summarised below.

Exceptional items
Exceptional items are not defined under IFRS. However, the Group classifies Exceptional Items as those that are separately identifiable by virtue of their size, nature or expected frequency and that therefore warrant separate presentation.

As detailed in note 5 during the period to 17 July 2022 the Group has recognised exceptional items in respect of costs associated with the fire at its facility in Belgium, acquisition related costs, cost of re-organisation programs and the gain recognised following the acquisition of a further 15% interest in its Foods Connected joint venture. The income statement separately shows the impact of the exceptional items on reported operating profit with further reconciliations between statutory and adjusted measures used by the Group presented in note 16. Presentation of these exceptional items and the reconciliations between adjusted and statutory measures is not intended to be a substitute for or intended to promote the adjusted measures above statutory measures.

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.

FX Instruments
The Group holds a number of foreign currency options/forwards which are carried at fair value.

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) Portugal and viii) Australasia (has been renamed to APAC) and ix) Central costs. The United Kingdom, Netherlands, Republic of Ireland, Sweden, Denmark, Central Europe and Portugal have been aggregated into one reportable segment, 'Europe' as they have similar economic characteristics as identified in IFRS 8. APAC and Central costs 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, fish and vegetarian. 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 17 July 2022		
Europe	**1,211,004**	**17,380**
APAC	**827,670**	**14,176**
Central costs	**-**	**(757)**
Total	**2,038,674**	**30,799**
28 weeks ended 18 July 2021		
Europe	1,076,072	24,687
APAC	634,600	12,452
Central costs	-	(7,979)
Total	1,710,672	29,160

The Group uses a number of alternative performance measures to assess underlying performance, these are explained and reconciled to the segmental results presented above in note 16. There is no inter-segment revenue included in the figures above

	17 July 2022 £'000	18 July 2021 £'000	3 January 2022 £'000
Total assets			
Europe	**738,247**	561,288	643,157
APAC	**481,656**	427,255	462,556
Central costs	**16,255**	21,520	49,547
Total segment assets	**1,236,158**	1,010,063	1,155,260
Current income tax assets	**6,484**	2,982	5,212
Deferred income tax assets	**12,224**	6,345	6,952
Total assets per balance sheet	**1,254,866**	1,019,390	1,167,424

	17 July 2022 £'000	18 July 2021 £'000	3 January 2022 £'000
Total liabilities			
Europe	**337,725**	309,009	346,403
APAC	**427,508**	398,945	419,611
Central costs	**172,640**	92,032	89,329
Total segment liabilities	**937,873**	799,986	855,343
Deferred income tax liabilities	**12,939**	1,446	4,132
Total Liabilities per balance sheet	**950,812**	801,432	859,475

There are no significant seasonal fluctuations.

5 Exceptional items

	28 weeks ended 17 July 2022				28 weeks ended 18 July 2021		
	Operating profit	**Finance costs**	**Tax**	**Profit after tax**	Operating profit	Tax	Profit after tax
Group	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Belgium fire	**3,815**	**-**	**(954)**	**2,861**	9,721	(2,430)	7,291
Acquisition of Foods Connected	**(3,876)**	**-**	**-**	**(3,876)**	-	-	-
Acquisition related costs	**1,204**	**75**	**(229)**	**1,050**	-	-	-
Reorganisation costs	**2,040**	**-**	**(319)**	**1,721**	-	-	-
Total exceptional costs	**3,183**	**75**	**(1,502)**	**1,756**	9,721	(2,430)	7,291

Fire in Belgium
In June 2021 the Group's facility in Belgium suffered an extensive fire. The Group continues to work closely with its insurers to progress related insurance claims. The results for the period to 17 July 2022 do not include potential income that may be received in respect of these claims with the insurance proceeds therefore considered to be contingent assets; at this stage in the claims process the value of the contingent asset has yet to be determined. Legal claims have been made against the Group in connection with the fire, however at this stage the Group considers the likelihood of incurring financial liabilities as a result of them is remote.

Exceptional costs totalling £3,815,000 have been recognised in the period relating to additional costs incurred in continuing to operate in Belgium and in connection with the insurance claim and legal claims. An exceptional tax credit of £954,000 has been recognised in respect of these costs.

In the prior period an exceptional impairment totalling £9,721,000 was recognised in respect of assets that were destroyed by the fire. The impairment recognised included £6,443,000 recognised in respect of property, plant and equipment, £2,260,000 recognised in respect of leased right-of use assets and £1,018,000 of costs relating, primarily, to the inventory that was destroyed.

Impact of acquisition of Foods Connected Limited
On 7 July 2022 the Group acquired a further 15% interest in Foods Connected Limited taking its total holding to 65% (see note 11) and the financial position and performance of the business was fully consolidated from this date. The Group's existing joint venture interest was effectively disposed of at this date with an exceptional gain of £3,876,000, being the difference between the carrying value and fair value of the joint venture interest, recognised.

Reorganisation Costs
During the period exceptional reorganisation costs of £2,040,000 have been recognised by the Group. These costs resulted from on-going efficiency and restructuring programs resulting in redundancies at a number of facilities operated by the Group. An exceptional tax credit of £319,000 has been recognised in respect of these costs.

Acquisition Costs
During the year the Group has recognised exceptional acquisition costs for Foppen in respect legal and professional fees and other related costs of £1,204,000. A further £75,000 of exceptional finance costs have been recognised related to short term acquisition bridge financing. An exceptional tax credit of £229,000 has been recognised in respect of these costs.

6 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 28 weeks to 17 July 2022 is 25.7%. The estimated average annual effective tax rate for the 28 weeks ended 18 July 2021 was 21.1%.

7 Dividends

	28 weeks ended 17 July 2022 £'000	28 weeks ended 18 July 2021 £'000
Final dividend paid 21.5p per ordinary share (2021: 19.0p)	**19,143**	15,561
Total dividends paid	**19,143**	15,561

The Directors have approved the payment of an interim dividend of 7.1p per share payable on 2 December 2022 to shareholders who are on the register at 4 November 2022. This interim dividend, amounting to £6.4m has not been recognised as a liability in these interim financial statements. It will be recognised in shareholders' equity in the 52 weeks to 1 January 2023.

8 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 below is compared with the number of shares that would have been issued assuming the exercise of the share options.

		28 weeks ended 17 July 2022		28 weeks ended 18 July 2021	
		Basic	**Diluted**	Basic	Diluted
Profit attributable to equity holders of the Company	(£'000)	**13,455**	**13,455**	16,076	16,076
Weighted average number of ordinary shares in issue	(thousands)	**89,002**	**89,002**	81,830	81,830
Adjustment for share options	(thousands)	**-**	**1,221**	-	1,447
Adjusted weighted average number of ordinary shares	(thousands)	**89,002**	**90,223**	81,830	83,277
Basic and diluted earnings per share	(pence)	**15.1**	**14.9**	19.6	19.3

9 Property, plant and equipment, right-of-use and intangible assets

	Property, plant and equipment £'000	**Lease: Right-of-use asset £'000**	**Intangible assets £'000**
28 weeks ended 18 July 2021			
Opening net book amount as at 4 January 2021	290,846	235,135	70,071
Exchange adjustments	(10,088)	(9,272)	23
Additions	26,237	2,928	785
Disposals	(41)	-	-
Lease modifications	-	(293)	-
Depreciation and amortization	(24,471)	(7,708)	(1,607)
Exceptional item	(6,443)	(2,260)	-
Closing net book amount as at 18 July 2021	276,040	218,530	69,272
28 weeks ended 17 July 2022			
Opening net book amount as at 3 January 2022	**291,488**	**222,004**	**105,775**
Exchange adjustments	**7,996**	**2,994**	**175**
Acquisition of subsidiaries	**16,992**	**3,214**	**50,851**
Additions	**25,494**	**4,376**	**447**
Disposals	**(109)**	**-**	**-**
Lease modifications	**-**	**38**	**-**
Fair value adjustments (note 11)	**1,841**	**-**	**1,392**
Depreciation and amortisation	**(26,959)**	**(10,408)**	**(4,908)**
Closing net book amount as at 17 July 2022	**316,743**	**222,218**	**153,732**

The Group has commitments to purchase property, plant and equipment of £11,557,000.

10 Investments

Investments in joint ventures

	28 weeks ended 17 July 2022 £'000	28 weeks ended 18 July 2021 £'000	52 weeks ended 2 January 2022 £'000
At the beginning of the period	**5,539**	12,622	12,622
Acquisitions	**1,190**	-	-
Profit for the period	**721**	952	1,925
Disposal of investment (note 11)	**(1,750)**	-	(6,551)
Dividends received	**-**	(1,823)	(2,273)
Effect of movements in foreign exchange	**23**	(123)	(184)
At the end of the period	**5,723**	11,628	5,539

On 6 January 2022 the Group acquired a 50% interest in Agito Group Pty Ltd for a consideration of £1.2m. Agito is an automation solutions provider based in Australia.

On 7 July 2022 the Group acquired a further 15% interest in Foods Connected Limited, taking its total holding to 65%, (see note 16). From this date the financial position and performance of Foods Connected was fully consolidated and the joint venture interest was effectively disposed of resulting in a gain of £3,876,000.

11 Business combinations

Group	Foppen Group B.V. £'000	Foods Connected Limited £'000
Property, plant and equipment	**16,921**	**71**
Intangibles	**-**	**2,285**
Brand and customer relationship intangibles	**30,992**	**-**
Lease: Right-of-use asset	**3,214**	**-**
Inventories	**22,580**	**-**
Trade and other receivables	**13,555**	**1,231**
Derivative financial instruments	**2,785**	**-**
Cash and cash equivalents	**-**	**230**
Trade and other payables	**(16,542)**	**(1,496)**
Borrowings	**(56,937)**	**-**
Lease liabilities	**(3,214)**	**-**
Deferred tax	**-**	**(14)**
Goodwill	**11,760**	**5,814**
Fair value of assets acquired	**25,114**	**8,121**
Consideration:		
Paid on completion	**25,114**	**-**
Issue of shares	**-**	**1,688**
Non-controlling interest	**-**	**807**
Deemed fair value of existing 50% interest	**-**	**5,626**
	25,114	**8,121**

2022

On 16 March 2022 the Group acquired 100% of the share capital of Dutch Seafood Company BV (Foppen Group BV), a leading international producer of speciality smoked salmon products.

On 7 July 2022 the Group completed the purchase of an additional 15% of Foods Connected taking its interest from 50% to 65%. Foods connected provides Software Solutions for Supply Chain, Procurement, Food Safety, Quality and CSR.

Foppen Group BV
The acquisition of Foppen Group BV improves the access for Hilton to the specialised smoked salmon market with a presence in the USA, Canada, Netherlands and Greece. The additional markets provide an opportunity for the Group to diversify its geographic presence whilst leveraging best practices and cost savings with the existing UK Seafood business.

Consideration for the acquisition of Foppen totalled £25,114,000 paid entirely in cash.

Customer relationship intangibles have been recognised and relate to the supply agreements and long-standing relationships that Foppen has with its customers. Brand intangibles have been recognised in respect of the Foppen trading name and other brands employed by the business. The provisional fair value of these intangible assets of £30,992,000 has been aggregated as they are considered to be linked with their value each dependent on the other and will be amortised over their useful economic lives of 5-10 years.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Goodwill of £11,760,000 has provisionally been recognised however, the conclusion of the ongoing work in respect of the valuation of tangible and intangible fixed assets acquired is expected to result in an additional adjustment to the value currently being recognised. Residual goodwill is expected to mainly relate to the strategic benefits for Hilton of diversifying its product and geographic portfolio.

As a result of the timing of completion of the acquisition, fair values presented for the Foppen acquisition reflect the initial assessment of fair value and remain subject to amendment for one year from the date of acquisition.

In the year the Group has recognised exceptional acquisition-related costs of £1,204,000 in respect of legal and professional and other related activities associated with acquisition activity.

Foods Connected Ltd
Consideration for the acquisition of the 15% interest in Foods Connected totalled £1,688,000 comprised of Hilton Food Group plc shares. The acquisition of Foods Connected provides an opportunity to deliver growth through new customer agreements with retailers and manufacturers across Europe and Australia and provides HFG control over the business.

As a result of the acquisition, and to allow full consolidation of Foods Connected as a subsidiary the Group has recognised an exceptional gain of £3,876,000 being the difference between the carrying value of its joint venture interest at the date of acquisition and its fair value.

Due to the timing of completion of the acquisition, the exercise to assess the fair values of assets and liabilities acquired is ongoing and therefore amounts presented above are provisional and expected to change.

The provisional fair values of intangible assets disclosed above is the book value recognised by Foods Connected at the date of acquisition. A review of the value of intellectual property is currently being undertaken by qualified valuers and once concluded is expected to give rise to adjustments to the fair value recognised.

An exercise is also underway to establish the fair value of Foods Connected customer relationships.

Goodwill of £5,814,000 has provisionally been recognised in H1 2022, however, the conclusion of the ongoing work in respect of the valuation of intangible fixed assets acquired is expected to result in an additional adjustment to the value currently being recognised. Residual goodwill is expected to mainly relate to the strategic benefits for Hilton of diversifying its business and the know-how of Foods Connected's employees.

The value of other assets and liabilities reflect the amounts expected to be realised or paid, respectively.

Group	**Dalco Food BV £'000**	**Fairfax Meadow Europe Limited £'000**
Property, plant and equipment	**5,933**	**6,782**
Intangibles	**113**	**-**
Brand and customer relationship intangibles	**10,192**	**11,766**
Lease: Right-of-use asset	**5,303**	**7,191**
Inventories	**8,143**	**7,982**
Trade and other receivables	**5,992**	**13,343**
Trade and other payables	**(8,766)**	**(16,782)**
Borrowings	**(1,824)**	**(8,504)**
Lease liabilities	**(5,303)**	**(7,094)**
Deferred tax	**(627)**	**(3,023)**
Goodwill	**7,619**	**3,685**
Fair value of assets acquired	**26,775**	**15,346**
Consideration:		
Paid on completion	**13,388**	**15,346**
Deemed fair value of existing 50% interest	**13,387**	**-**
	26,775	**15,346**

2021

During 2021 the Group completed the purchase of the remaining 50% of Dalco Food BV (Dalco) taking its interest from 50% to 100%. Dalco is a leading producer of vegetarian and vegan proteins, supplying retail and food service customers from its facilities in the Netherlands. The Group also acquired 100% of the share capital of Fairfax Meadow Europe Limited (Fairfax Meadow) a leading meat supplier to the UK foodservice sector.

Dalco Food BV
The acquisition of the remaining 50% of Dalco allowed the Group to take full control of the business enabling it to diversify further and strengthen its protein offering in the fast-growing vegan and vegetarian market.

Consideration for the acquisition of the 50% interest in Dalco totalled £13,388,000 and comprised cash of £11,603,000, and Hilton Food Group plc shares with a market value at the date of issue of £1,785,000.

Due to the timing of completion of the acquisition and the timing of other acquisition activity undertaken by the Group in 2021, the assessment of the fair values of assets and liabilities acquired was ongoing when the Group reported its 2021 annual results and were therefore provisional.

Updated fair values are presented above and whilst they remain provisional, they are not expected to change significantly before being finalised.

The fair value of property, plant and equipment acquired was established following a review undertaken by qualified surveyors and reflects their existing use value.

Customer relationship intangibles have been recognised and relate to the supply agreements and long-standing relationships that Dalco has with its customers. Brand intangibles have been recognised in respect of the Dalco trading name. The fair value of these intangible assets of £10,192,000 have been aggregated as they are considered to be linked with their value each dependent on the other and will be amortised over their useful economic lives of 5-10 years.

Goodwill of £7,619,000 has provisionally been recognised in H1 2022 compared to £18,810,000 recognised in 2021 and relates to the strategic benefits for Hilton of diversifying its product portfolio into the vegan and vegetarian protein market.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Fairfax Meadow Europe Limited
The acquisition of Fairfax Meadow improves the access for Hilton to the out-of-home channel, providing an opportunity for the Group to diversify into the foodservice sector and contribute to the Group's sustainable growth.

Consideration for the acquisition of Fairfax Meadow totalled £15,346,000 paid entirely in cash.

Goodwill has arisen and mainly relates to the strategic benefits for Hilton of diversifying its product portfolio into the food service sector.

The fair value of property, plant and equipment acquired was established following a review undertaken by qualified surveyors and reflects their existing use value.

Customer relationship intangibles have been recognised and relate to the supply agreements and long-standing relationships that Fairfax Meadow has with its customers. Brand intangibles have been recognised in respect of the Fairfax Meadow trading name and other brands employed by the business. The fair value of these intangible assets of £11,766,000 (£12,519,000 recognised in FY 2021 accounts) have been aggregated as they are considered to be linked with their value each dependent on the other and will be amortised over their useful economic lives of 5-9 years.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Fair values presented for the Fairfax Meadow acquisition remain provisional though are not expected to change significantly before being finalised.

12 Borrowings

	17 July 2022 £'000	18 July 2021 £'000	2 January 2022 £'000
Current	**30,389**	40,829	224,732
Non-current	**287,460**	190,153	-
Total borrowings	**317,849**	230,982	224,732

Movements in borrowings is analysed as follows:

	28 weeks ended 17 July 2022 £'000	28 weeks ended 18 July 2021 £'000	52 weeks ended 2 January 2022 £'000
Opening amount	**224,732**	245,987	245,987
Exchange adjustments	**8,064**	(7,790)	(8,498)
New borrowings	**313,618**	16,815	67,062
Repayment of borrowings	**(228,565)**	(24,030)	(79,819)
Closing amount	**317,849**	230,982	224,732

13 Ordinary shares

	Number of shares (thousands)	**Ordinary shares £'000**	**Total £'000**
At 4 January 2021	81,939	8,194	8,194
Issue of new shares on exercise of employee share options	211	21	21
At 18 July 2021	82,150	8,215	8,215
At 3 January 2022	**88,935**	**8,893**	**8,893**
Issue of new shares on exercise of employee share options	**275**	**28**	**28**
Issue of new shares relating to purchase of additional 15% interest in Foods Connected	**170**	**17**	**17**
At 17 July 2022	**89,380**	**8,938**	**8,938**

On 7 July 2022 the Company issued 170,000 ordinary shares with a total market value at the date set of issue of £1,687,723, equal to £9.91 per share, as part of the consideration for the additional 15% interest in Foods Connected (see note 11).

14 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:

Group sales:	**28 weeks ended 17 July 2022 £'000**	28 weeks ended 18 July 2021 £'000	53 weeks ended 2 January 2022 £'000
Dalco Food B.V.	**-**	167	438
Sohi Meat Solutions Distribuicao de Carnes SA - Fee for services	**1,708**	1,978	3,175
Sohi Meat Solutions Distribuicao de Carnes SA - Recharge of joint venture costs	**129**	350	331

Group purchases:	**£'000**	£'000	£'000
Foods Connected Limited	**108**	300	568

Amounts owing from related parties were as follows:

	17 July 2022 £'000	18 July 2021 £'000	2 January 2022 £'000
Foods Connected Limited	**56**	134	4
Sohi Meat Solutions Distribuicao de Carnes SA	**240**	605	561

On 5 July 2022 the Group acquired a further 10% interest in its subsidiary Hilton Foods Solutions Limited from Group CEO Philip Heffer, the consideration for this acquisition was £1,150,000 and takes the Group's interest in Hilton Foods Solutions Limited to 65%.

In the prior period the group settled the deferred consideration liability recognised in respect of the acquisition of SV Cuisine Limited, making a payment of £2.5m. The acquisition of SV Cuisine Limited was considered to be a related party transaction as prior to acquisition Philip Heffer, The Hilton Foods Group CEO, Graham Heffer and Robert Heffer, both directors of the Group's subsidiary Hilton Food Solutions Limited, had each held a 30% shareholding in SV Cuisine Limited.

15 Financial instruments

The Group holds a number of financial instruments which are carried at cost which is the equivalent of their fair value unless otherwise stated below.

The Group has derivative financial instruments amounting to £4,540,000 (2021: £Nil). The derivative financial instruments are plain vanilla derivatives including foreign currency options/forwards. The instruments that have a fair value where specific valuation techniques are used to arrive at the carrying value which include for foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date and for foreign currency options – option pricing models. These derivative financial instruments are classified as Level 2

The fair values have been classified into three categories depending on the inputs used in the valuation technique. The categories used are as follows:

The categories are as follows:

Level 1: quoted prices for identical instruments;
Level 2: directly or indirectly observable market inputs, other than Level 1 inputs; and
Level 3: inputs which are not based on observable market data.

16 Alternative Performance Measures

The Group's performance is assessed using a number of alternative performance measures (APMs).

The Group's alternative profitability measures are presented before exceptional items, amortisation of certain intangible assets and depreciation of fair value adjustments made to property, plant and equipment acquired through business combinations and the impact of IFRS 16 - Leases.

The measures are presented on this basis, as management believe they provide useful additional information about the Group's performance and aids a more effective comparison of the underlying Group's trading performance from one period to the next.

Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement below.

28 weeks ended 17 July 2022	**Reported** **£'000**	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	**Reported excluding IFRS 16** **£'000**	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	**Adjusted** **£'000**
Operating profit - excl. exceptional items	**33,982**	10,314	(8,414)	**35,882**	-	5,308	**41,190**
Exceptional items	**(3,183)**	-	-	**(3,183)**	3,183	-	**-**
Operating profit	**30,799**	10,314	(8,414)	**32,699**	3,183	5,308	**41,190**
Net finance costs	**(11,247)**	4,372	-	**(6,875)**	75	-	**(6,800)**
Profit before income tax	**19,552**	14,686	(8,414)	**25,824**	3,258	5,308	**34,390**
Profit for the period	**14,528**	14,033	(8,414)	**20,147**	1,756	4,142	**26,045**
Less non-controlling interest	**(1,073)**	(12)	-	**(1,085)**	-	-	**(1,085)**
Profit attributable to members of the parent	**13,455**	14,021	(8,414)	**19,062**	1,756	4,142	**24,960**
Depreciation and amortisation	**41,054**	(10,314)	-	**30,740**	-	(5,308)	**25,432**
EBITDA	**71,853**	-	(8,414)	**63,439**	3,183	-	**66,622**
Earnings per share	**pence**			**pence**			**pence**
Basic	**15.1**			**21.4**			**28.0**
Diluted	**14.9**			**21.1**			**27.7**

28 weeks ended 18 July 2021	Reported £'000	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	Adjusted £'000
Operating profit - excl. exceptional items	**38,881**	7,587	(8,764)	**37,704**	-	1,318	**39,022**
Exceptional items	**(9,721)**	2,260	-	**(7,461)**	7,461	-	**-**
Operating profit	**29,160**	9,847	(8,764)	**30,243**	7,461	1,318	**39,022**
Net finance costs	**(7,508)**	4,287	-	**(3,221)**	-	-	**(3,221)**
Profit before income tax	**21,652**	14,134	(8,764)	**27,022**	7,461	1,318	**35,801**
Profit for the period	**17,085**	12,566	(8,764)	**20,887**	5,596	1,067	**27,550**
Less non-controlling interest	**(1,009)**	-	-	**(1,009)**	-	-	**(1,009)**
Profit attributable to members of the parent	**16,076**	12,566	(8,764)	**19,878**	5,596	1,067	**26,541**
Depreciation, amortisation and impairment	**42,496**	(9,870)	-	**32,626**	(6,445)	(1,318)	**24,863**
EBITDA	**71,656**	(23)	(8,764)	**62,869**	1,016	-	**63,885**
Earnings per share	**pence**			**pence**			**pence**
Basic	**19.6**			**24.3**			**32.4**
Diluted	**19.3**			**23.9**			**31.9**

Segmental operating profit reconciles to adjusted segmental operating profit as follows:

28 weeks ended 17 July 2022	Reported £'000	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	Adjusted £'000
Europe - excl. exceptional item	**23,234**	4,244	(1,151)	**26,327**	-	5,308	**31,635**
Exceptional items	**(5,855)**	-	-	**(5,855)**	5,855	-	**-**
Europe	**17,379**	4,244	(1,151)	**20,472**	5,855	5,308	**31,635**
Australasia	**14,177**	6,070	(7,263)	**12,984**	-	-	**12,984**
Central costs	**(757)**	-	-	**(757)**	(2,672)	-	**(3,429)**
Total	**30,799**	10,314	(8,414)	**32,699**	3,183	5,308	**41,190**

28 weeks ended 18 July 2021	Reported £'000	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	Adjusted £'000
Europe - excl. exceptional item	**34,408**	3,024	(3,421)	**34,011**	-	1,318	**35,329**
Exceptional items	**(9,721)**	2,260	-	**(7,461)**	7,461	-	**-**
Europe	**24,687**	5,284	(3,421)	**26,550**	7,461	1,318	**35,329**
Australasia	**12,452**	4,563	(5,343)	**11,672**	-	-	**11,672**
Central costs	**(7,979)**	-	-	**(7,979)**	-	-	**(7,979)**
Total	**29,160**	9,847	(8,764)	**30,243**	7,461	1,318	**39,022**

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 condensed consolidated interim financial statements of Hilton Food Group plc for the 28 week period ended 17 July 2022 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Balance sheet as at 17 July 2022;
- the Condensed Consolidated Income statement and the Condensed Consolidated Statement of comprehensive income for the period then ended;
- the Condensed Consolidated Cash flow statement for the period then ended;
- the Condensed Consolidated 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 condensed consolidated interim financial statements of Hilton Food Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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, 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 condensed consolidated interim financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The condensed consolidated interim financial statements, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the condensed consolidated interim financial statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the condensed consolidated interim financial statements, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the condensed consolidated interim financial statements based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP

Chartered Accountants
Belfast
14 September 2022

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.