5 April 2023

Hilton Food Group plc

International Food and Supply Chain Services Partner of Choice

Volume and revenue growth against volatile backdrop during 2022; well positioned for year ahead

Hilton Foods today announces its preliminary results for the 52 weeks ended 1 January 2023. The business has also published a separate announcement this morning regarding a change of leadership.

Strategic overview:

1. **Outstanding Protein Products**
   - Strength and resilience in core meat category, underpinned by strong commercial partnerships
   - Challenging seafood performance, with robust recovery plans in place to restore profitability
   - Further vegan and vegetarian growth through branded partnerships and private label expansion
   - Double digit growth in easier meals, with launch of award-winning new products

2. **Growing across international markets**
   - Strong performance in APAC including first full year of trading in New Zealand
   - New partnership formed in Singapore with Country Foods, a wholly owned subsidiary of SATS, Asia's leading provider of food solutions and gateway services
   - Growth through geographical diversification with Foppen acquisition

3. **Industry-leading technology**
   - Increased ownership of Foods Connected supply chain management platform to 65%
   - Agito joint venture reinforcing automation and engineering capabilities

4. **Delivered through The Sustainable Protein Plan**
   - Introduction of stretching ESG performance metrics into our LTIP Scheme including targets for Scope 1 & 2 energy efficiency, packaging recycled content and food waste
   - Progress across people, planet and product pillars, including exceeding 2025 target for women in leadership positions and A- rating from CDP on Climate Change

Financial overview:

- Group revenue up 16.5% to £3.8bn (2021: £3.3bn), underpinned by contribution from newly acquired businesses, first full year of trading in New Zealand and inflationary impact
- Volume growth of 4.3% to 513,816 tonnes (2021: 492,588 tonnes)
- Adjusted operating profit down 3.3% to £71.1m (2021: £73.6m)
- IFRS operating profit down 14.8% to £54.0m (2021: £63.4m) after exceptional items of £11.9m, relating predominantly to 2021 fire at Belgium site
- Adjusted basic earnings per share down 26.4% at 45.1p (2021: 61.3p)
- IFRS basic earnings per share down 56.0% at 19.8p (2021: 45.0p)
- Strong cash flows from operating activities of £98.3m (2021: £121.3m)
- Net bank debt £211.6m (2021: £84.6m) following £83.6m investments in acquisitions/JVs and £56.8m capex investment with a strong balance sheet following refinancing
- Proposed final dividend of 22.6p, taking total dividend for 2022 to 29.7p (2021: 29.7p)

Outlook and current trading

Against the backdrop of a challenging environment, with global uncertainties impacting supply chains and inflation, Hilton's trading performance since the beginning of 2023 has been in line with the Board's expectations and the business is well positioned for the year ahead. We continue to explore opportunities with existing and new customers for further expansion in our domestic and overseas markets.

Our short and medium term growth prospects are underpinned by the acquisitions of Foppen, Dalco and Fairfax Meadow, the new partnership in Singapore and recovery in our UK Seafood business as well as further opportunities arising across our markets by the development of our cross-category business and the application of our supply chain management expertise.

Commenting on the results Chief Executive Philip Heffer said:

"After the challenges we faced last year in our seafood business, we took a series of steps to rebuild profitability and we are now well placed for the year ahead. Meanwhile we have continued to deliver on our strategic priorities and to set the business up for long-term, sustainable growth.

"Our meat category has performed well and we have continued to innovate with new and award winning products. We have continued to grow in new and emerging markets following the acquisitions of Foppen and Fairfax Meadow with both these businesses performing well, while also expanding in Asia with Country Foods. Despite the significant macro-economic challenges, we have continued our record of growing our volumes every year since Hilton Foods became a publicly listed company in 2007.

"Hilton Foods today is a completely different business from the company we started in 1994. Over 75% of our sales volumes are now outside the UK; we offer a wide range of protein products and categories; and we have built a technology services offer which is best-in-class in the industry. The global economy today is more uncertain than at any time in the past thirty years, but Hilton Foods is well set for long-term success."

Financial performance – overview:

	2022 52 weeks to 1 January 2023	2021 52 weeks to 2 January 2022	Change Reported	 Constant currency
Volume (tonnes)	**513,816**	**492,588**	**4.3%**	**4.3%**
Revenue	**£3,847.6m**	**£3,302.0m**	**16.5%**	**16.0%**
Adjusted results [1]				
Adjusted operating profit	**£71.1m**	**£73.6m**	**-3.3%**	**-3.2%**
Adjusted profit before tax	**£55.5m**	**£67.2m**	**-17.4%**	**-17.2%**
Adjusted basic earnings per share	**45.1p**	**61.3p**	**-26.4%**	
Adjusted EBITDA	**£119.9m**	**£119.5m**	**0.3%**	**0.1%**
IFRS results				
Operating profit	**£54.0m**	**£63.4m**	**-14.8%**	
Profit before tax	**£29.6m**	**£47.4m**	**-37.5%**	
Basic earnings per share	**19.8.p**	**45.0p**	**-56.0%**	
Cash flows from operating activities	**£98.3m**	**£121.3m**	**-18.9%**	
Other measures				
EBITDA	**£131.8m**	**£139.0m**	**-5.3%**	
Net bank debt [2]	**£211.6m**	**£84.6m**		
Dividends paid and proposed in respect of the year	**29.7p**	**29.7p**	**0.0%**	

Notes

1. Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation, depreciation of fair value adjustments to property, plant & equipment, exceptional items and also IFRS 16 lease adjustments as detailed in the Alternative performance measures note 17. Unless otherwise stated financial metrics in the Chairman's statement, Chief Executive's summary and Performance and financial review refer to the Adjusted results
2. Net bank debt represents borrowings less cash and cash equivalents excluding lease liabilities

Enquiries

Hilton Foods Tel: +44 (0) 1480 387214
Philip Heffer, Chief Executive Officer
Matt Osborne, Chief Financial Officer

Headland Consultancy Limited Tel: +44 (0) 20 3805 4822
Edward Young Email: hiltonfood@headlandconsultancy.com
Will Smith
Joanna Clark

This announcement contains inside information.

About Hilton Foods

Hilton Foods 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 7,000 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.

Chairman’s introduction

Strategic progress

This has been a year of unprecedented global and economic challenges, but Hilton Foods has continued to make strategic progress. We manufacture high quality multi-protein products utilising industry leading technology in our highly automated facilities, including advanced robotics. Together with leveraging our expertise we can offer improved supply chain efficiencies to our customers whilst committed to our sustainable protein plan. The depth of our partnerships is illustrated through physical air bridges installed in facilities in Australia and New Zealand that link our processing facilities directly to our customers’ distribution centres. Use of these fully automated conveyor air bridges further optimises the supply chain process bringing significant logistics efficiency savings with lower carbon emissions.

During the year we acquired Foppen, a specialist smoked salmon business, with facilities in the Netherlands and Greece, which enhances our existing fish portfolio and is an entry point into the North American retail market. We also agreed a joint venture with Agito, an Australian automation and technology solutions business with ambitions for European expansion, which brings together excellence in automation and food supply chain expertise. This JV, together with an increased stake in Foods Connected, fits neatly into a newly created Hilton Food Services division to leverage supply chain solutions to meet our customers’ needs. Additionally we invested in Cellular Agriculture, a leading cultivated protein tech business and formed a new partnership with Country Foods in Singapore.

We continue to explore opportunities to develop our cross-category business in both domestic and overseas markets as well as applying our state-of-the-art skills and experience to deliver value to our customers.

Group performance

In 2022 we increased our overall volumes maintaining a trend of continuous growth achieved in every year since Hilton’s flotation in 2007. However this was overshadowed by significant challenges in our UK Seafood business including the impact of unprecedented inflation levels with price recovery taking longer than anticipated. There was also further disruption through automation investments which will deliver longer term efficiency benefits.

We have taken steps to rebuild sustainable profitability in this business and we remain confident in the opportunities which the seafood category will present for Hilton Foods over the coming years, serving a range of domestic and international customers with market-leading salmon, white fish, shellfish, coated fish, prawn cocktails and other added value fish products

Hilton Foods generated strong operating cash flows during 2022 enabling further significant investment in our facilities to increase capacity, improve operational efficiency and offer innovative solutions to our retailer partners. Hilton Foods remains financially strong with significant cash balances, undrawn committed bank facilities and operating well within our banking covenants.

Dividend policy

The Group has maintained a progressive dividend policy since flotation and despite the impact of the challenges faced in 2022 remain confident that this approach continues to be appropriate. With the proposed final dividend of 22.6p per ordinary share, total dividends in respect of 2022 will be 29.7p per ordinary share, maintaining the dividend compared to last year.

Our Board, purpose and governance

The Hilton Board is responsible for the long-term success of the Group and establishing its purpose, values and strategy aligned with its desired culture. Our purpose is to create efficiency and flexibility in the food supply chain whilst maintaining high quality through innovative and sustainable food manufacturing and supply chain solutions with the ambition to be the first choice partner for food retailers seeking excellence, insight and growth.

To achieve this the Board has an appropriate mix of skills, depth and diversity and a range of practical business experience, which is available to support and guide our management teams across a wide range of countries as well as having in place succession planning and maintaining a talent pipeline. We remain committed to achieving good governance balanced against our desire to preserve an agile and entrepreneurial approach. I would like to thank my colleagues on the Board for their support, counsel and expertise during the year. During the year Patricia Dimond joined the Board as an independent Non-Executive Director and subsequently became Audit Committee chair when John Worby stepped down. Angus Porter then became the Senior Independent Director. Nigel Majewski also stepped down as CFO and was replaced by Matt Osborne, formerly the Group Financial Controller, who has made a strong start in the role.

Philip Heffer advised the Board that he wished to step down from his role as CEO in 2023. I am delighted that Steve Murrells, CBE has accepted our invitation to join Hilton as its next CEO and that Philip will remain in the business in a new role of Co-Founder and Board Advisor. Steve has an outstanding record as a leader within the food industry working in senior positions with Tesco plc and more recently at Tulip Ltd 2009 - 2012 as CEO and Co-operative Group Ltd 2012 - 2022 as CEO Retail and from 2017 as Group CEO. Steve was appointed Commander of the Order of the British Empire (CBE) in the 2022 New Year Honours for services to the food supply chain. Steve will join the Board in July 2023. Philip has spent almost 30 years with Hilton Foods, including the last five years as Group CEO and will support Steve ensuring a smooth transition. I would like to thank Philip for everything he has contributed to Hilton Foods. He has been instrumental to the growth of the business we founded together in 1994 and I am extremely pleased that we will continue to benefit from his experience and expertise in his new advisory role.

The Board takes its responsibilities very seriously to promote the success of the Company for the benefit of its stakeholders as a whole. We take the interests of our workforce and other stakeholders fully into account in Board discussions and decision making. Details of the Group’s policies and procedures that have been implemented to enhance stakeholder and workforce engagement, which explain how these interests have influenced our decisions, are set out in the governance section of our Annual report.

Sustainability

2022 marks the first full year of our new Sustainable Protein Plan strategy. This gives added focus and energy to the work we are doing to make our business more sustainable and become a core part of the wider growth strategy for the business. This Plan includes a range of stretching targets aligned closely with the UN Sustainable Development Goals including setting Science Based Targets on the way to achieving net zero emissions before 2050 and net negative thereafter.

Our position in the food supply chain means that we have opportunities working with partners from farm to fork to make a positive difference and innovate across the value chain. We recognise the commercial benefits of highly traceable, sustainably sourced proteins. For us, growing our business and supporting the planet go hand in hand. During the year we introduced ESG performance metrics into our long term incentive plan including emissions, packaging recycling and food waste targets to align our senior leaders with supporting the delivery of the Sustainable Protein Plan.

Annual General Meeting

This year’s AGM will be held at Hilton’s offices at 2-8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE in a hybrid format on Tuesday 23 May 2023 at noon. Please refer to our website at www.hiltonfoods.com/investors/agm/ for further guidance.

Robert Watson OBE
Chairman
4 April 2023

Chief Executive’s summary

Business development

The Group’s expansion is based on its established and proven track record, international reputation and experience and the recognised success of the close partnerships we have forged and maintained with successful retail partners over many years. Hilton’s business model has proved successful in Europe and APAC supplemented by targeted acquisitions. We have demonstrated that this business model is capable of being successfully applied to both new proteins and transferred to new countries, adapted with our local customers to meet their specific requirements.

2022 Performance overview

2022 saw continued year-on-year sales growth driven by higher raw material prices and volume growth including through the acquisition of Foppen, full year volumes from Fairfax Meadow and Dalco acquired in 2021 and the New Zealand facility which opened in 2021 where there was strong trading. We have demonstrated strength and resilience in our core meat category with award winning products across the categories in which we operate. We continue to remain focused on responding to consumer needs in our development of new products and leveraging our industry leading technology to support our core protein business.

Overall volume increased by 4.3% to 513,816 tonnes (2021: 492,588 tonnes). In 2022 over 75% of the Group’s volumes were produced in countries outside the UK. Adjusted operating profit fell by 3.3% and the overall operating margin decreased to 1.8% (2021: 2.2%) due to challenges in our UK Seafood business including the impact of unprecedented inflation levels with price recovery taking longer than anticipated. There was also further disruption through automation investments which will deliver longer term efficiency benefits.

A new leadership team is in place in our UK Seafood business which is performing well to implement a series of steps to rebuild profitability in this category. We are working in partnership with our customers to recover inflation, reduce costs and optimize the ranges we produce as well as leveraging the benefits which will come through our investment in industry-leading automation and other initiatives. The margin per kg decreased to 13.8p (2021: 14.9p). Our customer service level remains best in class at 95.9% (2021: 96.4%).

The wide geographical spread of the Group increases its resilience by minimising its reliance on any one individual economy. 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. During 2022 the impact of average exchange rates on our results compared with 2021 was marginal.

Sustainability

Despite the current global instability we have maintained our focus on sustainability. Our strategy is to build a platform to create sustainable value over the long-term part of which is our Sustainable Protein Plan which is a blueprint for social and environmental progress across three pillars being product, planet and people. Through partnerships, we can help to create a more circular and sustainable food system that provides healthy and affordable proteins for consumers who have seen the cost of cooking double, and who worry about the health of their families and the future of our planet.

Through product innovation, we are working to decarbonise cattle, deliver zero emission factories and eliminate deforestation. We are committed to achieving fully recyclable retail plastic packaging and have achieved 70% recycled content plastic packaging across the Group. The investment in the meat technology business Cellular Agriculture can help Hilton become a leader in the emerging market for cultured meat. I am pleased with our progress on our planet targets. Hilton Foods was awarded a score of A- in this year’s climate assessment by the Carbon Disclosure Project achieving recognition as a Supplier Engagement Leader. However we need to go further. We will, during 2023, submit even more ambitious targets to the Science Based Targets initiative. These will be consistent with achieving 1.5°C and see us commit to reach net zero well before our current 2050 target. The third part of our plan is about our people. Our commitment is to protect human rights, employee wellbeing and support career development and we are participants in the UN Global Compact.

Segment performance

Europe

Adjusted operating profit of £49.7m (2021: £61.8m) on turnover of £2,254.7m (2021: £1,987.4m)

This operating segment covers the Group's businesses and joint ventures in the UK, Ireland, Holland, Belgium, Sweden, Denmark, Portugal and Central Europe. Our products are sold in 14 countries across Europe. Our food service business Fairfax Meadow and our vegan/vegetarian business Dalco were acquired in 2021. During 2022 we acquired Foppen which completed in March as well as increasing our stake in Foods Connected from 50% to 65% and in Hilton Food Solutions from 55% to 65%.

Volumes increased by 4.1% attributable to the newly acquired businesses and there was good growth in convenience volumes in Central Europe and at Dalco. Sales grew by 13.4% due to raw material price inflation and the higher volumes. However adjusted operating profit fell by 19.6% due to the impact of the performance in our UK Seafood business. Operating margins decreased to 2.2% (2021: 3.1%) and operating profit margin per kg decreased to 13.4p (2021: 18.5p).

APAC

Adjusted operating profit of £26.7m (2021: £22.4m) on turnover of £1,592.9m (2021: £1,314.6m)

In Australia the Group operates facilities in Bunbury, Western Australia, Melbourne, Victoria and Brisbane, Queensland. A new food park facility in New Zealand opened in July 2021 to supply beef, lamb, pork, chicken, seafood and added-value products.

Volumes for the year increased by 4.7% through the full year of trading at the New Zealand facility. Sales increased by 21.2% driven by inflation in Australia and the new facility in New Zealand. Adjusted operating profit increased by 19.4% given the higher volumes as well as benefitting from recovery of increased interest costs. Operating margins were steady at 1.7% (2021: 1.7%) and the operating profit margin per kg increased to 16.1p (2021: 14.1p).

Past and future trends

Over recent decades major retailers have progressively rationalised their supply base through large scale, centralised packing solutions capable of producing private label packed fresh food products. This achieves lower costs with consistent high food safety, food integrity, traceability and quality standards allowing supermarket groups to focus on their core retail business whilst addressing consumers' continuing requirement for quality and value. This trend towards increased use of centralised packing solutions is likely to continue, albeit at different speeds across the world, representing potential future geographical expansion opportunities for Hilton. In addition consumer buying patterns are evolving with more seafood and vegetarian proteins being eaten. Through Hilton's diversification into these proteins we are well placed to grow our business.

Philip Heffer
Chief Executive Officer
4 April 2023

Performance and financial review

Summary of Group performance

This performance and financial review covers the Group's financial performance and position in 2022. Hilton's overall financial performance saw continued strong growth in volumes and sales although profitability and basic earnings per share on an adjusted basis were adversely impacted by the challenges faced in our UK Seafood business. Cash flow generation was strong, supporting our ongoing significant investment in facilities.

Basis of preparation

The Group is presenting its results for the 52 week period ended 1 January 2023, with comparative information for the 52 week period ended 2 January 2022. The financial statements of the Group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards.

Hilton uses Alternative Performance Measures (APMs) to monitor the underlying performance of the Group. Management use these APMs to monitor and manage the business's performance day-to-day and therefore believe they provide useful additional information to shareholders and wider users of the financial statements.

2022 Financial performance

Volume and revenue

Volumes grew by 4.3% in the year reflecting the acquisition of Foppen, full year volumes from Fairfax Meadow and Dalco which were acquired in 2021 and the New Zealand facility which opened in 2021. Additional details of volume growth by business segment are set out in the Chief Executive's summary. Revenue increased 16.5% and by 16.0% on a constant currency basis reflecting higher raw material prices and volume growth.

Operating profit and margin

Adjusted operating profit of £71.1m (2021: £73.6m) was 3.3% lower than last year and 3.2% lower on a constant currency basis due to challenges in our Seafood business. IFRS operating profit was £54.0m (2021: £63.4m) after charging £11.9m in exceptional costs (2021: £7.1m) reflecting costs relating to the Belgium fire, acquisition and reorganisation costs offset by a gain on the acquisition of 100% of Foods Connected. The operating profit margin in 2022 declined to 1.8% (2021: 2.2%) and the operating profit per kilogram of packed food sold fell to 13.8p (2021: 14.9p) attributable to the Seafood business challenges.

Net finance costs

Adjusted net finance costs excluding exceptional items and lease interest increased to £15.7m (2021: £6.4m) reflecting higher borrowings that financed our acquisition and expansion programme and the impact of higher market interest rates. Interest cover as a proportion of adjusted operating profit in 2022 reduced to 4.5 times (2021: 11 times). IFRS net finance costs were £24.4m (2021: £16.0m).

Taxation

The adjusted taxation charge for the period was £13.5m (2021: £14.5m). The effective tax rate was 24.3.% (2021: 21.6%). The IFRS taxation charge was £10.1m (2021: £8.1m) with an effective tax rate of 34.2% (2021: 17.1%).

Net income

Adjusted net income, representing profit for the year attributable to owners of the parent, of £40.2m (2021: £50.5m) was 20.4% lower than last year and 20.0% lower on a constant currency basis. IFRS net income was £17.7m (2021: £37.1m).

Earnings per share

Adjusted basic earnings per share 45.1p (2021: 61.3p) was 26.4% lower than last year and 26.3% on a constant currency basis. IFRS basic earnings per share were 19.8p (2021: 45.0p). Diluted earnings per share were 19.7p (2021: 44.5p).

Earnings before interest, taxation, depreciation and amortisation (EBITDA)

Adjusted EBITDA, which is used by the Group as an indicator of cash generation, increased marginally to £119.9m (2021: £119.5m). IFRS EBITDA was £131.8m (2021: £139.0m).

Free cash flow and net debt position

Operating cash flow was strong in 2022 with cash flows from operating activities of £98.3m (2021: £121.3m) reflecting planned inventory increases. IFRS free cash outflow, after capital expenditure of £56.8m and investments in acquisitions and joint ventures £83.6m but before dividends and financing, was £79.4m (2021: outflow £8.1m restated).

The Group closing net bank debt comprising borrowings less cash and cash equivalents excluding lease liabilities, was £211.6m (2021: £84.6m) reflecting bank borrowings of £298.8m net of cash balances of £87.2m. Net bank debt increased following investments in acquisitions/JVs £83.6m and capex investment £56.8m. Net debt including lease liabilities was £457.7m (2021: £328.0m).

At the end of 2022 the Group had undrawn committed bank facilities under its syndicated banking facilities of £106.4m (2021: £96.8m). These banking facilities are subject to covenants comprising net bank debt to EBITDA and EBITDA interest cover. Headroom under these covenants at the end of the year was at least 66% for these metrics. During the year the Group renewed its banking facilities with a £424m five year revolving credit and term loan facility agreed with a syndicate of lenders which is due to expire in January 2027.

The resilience of the Group 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 has adequate headroom under its existing committed facilities and will be able to continue to operate well within its banking covenants.

Dividends

The Group has maintained a progressive dividend policy since flotation and has recommended a final dividend of 22.6p per ordinary share in respect of 2022. This, together with the interim dividend of 7.1p per ordinary share paid in December 2022, maintains the full year dividend, as compared with last year at 29.7p per ordinary share. The final dividend, if approved by shareholders, will be paid on 30 June 2023 to shareholders on the register on 2 June 2023 and the shares will be ex dividend on 1 June 2023.

Key performance indicators

How we measure our performance against our strategic objectives

The Board monitors a range of financial and non-financial key performance indicators (KPIs) to measure the Group's performance over time in building shareholder value and achieving the Group's strategic priorities. The nine headline KPI metrics used by the Board for this purpose, together with our performance over the past two years, is set out below:

	2022 (52 weeks)	2021 (52 weeks)	Definition, method of calculation and analysis
Financial KPIs			
Revenue growth (%)	16.5%	19.0%	Year on year revenue growth expressed as a percentage. The 2022 increase reflected higher raw material prices and volume growth.
Adjusted operating profit margin (%)	1.8%	2.2%	Adjusted operating profit expressed as a percentage of turnover. The operating profit margin % in 2022 was lower due to challenges in our Seafood business.
Adjusted operating profit margin (pence per kg)	13.8	14.9	Adjusted operating profit per kilogram processed and sold in pence. The decrease in 2022 compared with 2021 reflects the challenges in our Seafood business.
Adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA) (£m)	119.9	119.5	Adjusted operating profit before depreciation and amortisation which increased marginally year on year.
Free cash flow (£m)	(79.4)	(8.1) *restated*	IFRS cash (outflow) before minorities, dividends and financing. Operating cash flow generation in 2022 was higher due to increased investments in acquisitions and joint ventures, adverse working capital movements and higher interest payments.
Net debt / EBITDA ratio (times)	1.8	0.7	Year end net bank debt as a percentage of adjusted EBITDA. The increase is due to the Foppen acquisition which completed during the year and the distorting impact of the related equity raise £75m in 2021.
Non-financial KPIs			
Growth in sales volumes (%)	4.3%	5.0%	Year on year volume growth. Volume growth in 2022 comprised Foppen acquired in the year and full year volumes from Fairfax Meadow and Dalco acquired in 2021 and the New Zealand facility opened in 2021.
Employee and labour agency costs (pence per kg)	65.7	60.9	Labour cost of producing food products as a proportion of volume. The increase reflects relatively greater labour complexity in the recently acquired businesses including Foppen, Fairfax Meadow and Dalco.
Customer service level (%)	95.9%	96.4%	Packs of product delivered as a % of the orders placed. The customer service level remains best in class.

In addition, a much wider range of financial and operating KPIs are continuously tracked at business unit level.

Going concern statement

The Directors have performed a detailed assessment, including a review of the Group's budget for the 2023 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The resilience of the Group 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 new 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 financial statements. For this reason they continue to adopt the going concern basis for preparing the financial statements.

The Group's bank borrowings as detailed in the financial statements 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 sensitised projections is expected to remain in compliance. Future geographical expansion which is not yet contracted, and which is not built into our 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 they are required. During the year the Group renewed its banking facilities with a £424m five year revolving credit and term loan facility.

The Group's internal budgets and forward forecasts, which incorporate all reasonably foreseeable changes in trading performance, are regularly reviewed by the Board and show that it will be able to operate within its current banking facilities, taking into account available cash balances, for the foreseeable future.

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the three years ending in December 2025. A period of three years has been chosen for the purpose of this viability statement as it is aligned with the Group's three year plan, which is based on the Group's current customers and does not incorporate the benefits from any potential new contract gains over this period.

The Directors' assessment has been made with reference to the Group's current position and strategy taking into account the Group's principal risks, including those in relation to Covid-19, and how these are managed. The strategy and associated principal risks, which the Directors review at least annually, are incorporated in the three year plan and such related scenario testing as is required. The three year plan makes reasoned assumptions in relation to volume growth based on the position of our customers and expected changes in the macroeconomic environment and retail market conditions, expected changes in food raw material, packaging and other costs, together with the anticipated level of capital investment required to maintain our facilities at state-of-the-art levels.

Cautionary statement

This Strategic 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.

Matt Osborne
Chief Financial Officer
4 April 2023

Risk management and principal risks

Risks and risk management

In accordance with provision 28 of the 2018 UK Corporate Governance Code, the Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group that might impede the achievement of its strategic and operational objectives as well as affect performance or cash position. As a leading food processor in a fast-moving environment it is critical that the Group identifies, assesses and prioritises its risks. The result of this assessment is a statement of the principal risks facing the Group together with a description of the main controls and mitigations that reduce the effect of those risks were they to crystallise. This, together with the adoption of appropriate mitigation actions, enables us to monitor, minimise and control both the probability and potential impact of these risks.

How we manage risk

The Group takes a proactive approach to risk management with well-developed structures and a range of processes for identifying, assessing, prioritising and mitigating its key risks, as the delivery of our strategy depends on our ability to make sound risk informed decisions. The Group's internal audit function derives its risk-based assurance plan on the controls after considering the risk assessment and reports its findings to the Audit Committee. For more detail please see Who is responsible for risk at Hilton?

Risk management process and risk appetite

The Board believes that in carrying out the Group's businesses it is vital to strike the right balance between an appropriate and comprehensive control environment and encouraging the level of entrepreneurial freedom of action required to seek out and develop new business opportunities; but, however skilfully this balance between risk and reward is struck, the business will always be subject to a number of risks and uncertainties, as outlined below.

All types of risk applicable to the business are regularly reviewed and a formal risk assessment is carried out to highlight key risks to the business and to determine actions that can reasonably and cost effectively be taken to mitigate them.

Not all the risks listed are within the Group's control and others may be unknown or currently considered immaterial, but could turn out to be material in the future. These risks, together with our risk mitigation strategies, should be considered in the context of the Group's risk management and internal control framework, details of which are set out in the Corporate governance statement. It must be recognised that systems of internal control are designed to manage rather than completely eliminate any identified risks.

Risk management during 2022

Cost of living crisis and the Russia-Ukraine War

The macroeconomic and geopolitical landscape, exacerbated by the Ukrainian War, is having an unprecedented impact on our supply chains, operations, consumers and customers. Energy price volatility and an acute cost of living crisis is impacting consumer spending and eating habits. This has resulted in high-profile food price inflation and extreme cost volatility.

Our continued focus on cost control, innovation and factory efficiency is enabling us to manage the inflationary pressures the industry is currently facing. Through our strong customer relationships we are able to support consumers to navigate through these challenging times.

Brexit

Hilton's exposure is generally mitigated through our predominantly local sourcing and operating model. Impacts are likely to continue through 2023 as the UK and EU regulatory and trade environments evolve. The Group is ensuring compliance through ongoing engagement with the appropriate authorities and regulatory forums. We continue to monitor policy changes and amend processes and operations as required. Our labour recruitment and retention strategies are evolving in line with this changing landscape and our continued focus on technology and automation further reduce risk exposure in this area.

Principal risks

The most significant business risks that the Group faces, together with the measures we have adopted to mitigate these risks, are outlined in the table below. This is not intended to constitute an exhaustive analysis of all risks faced by the Group, but rather to highlight those which are the most significant, as viewed from the standpoint of the Group as a whole.

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk 1 The progress of the Group's business is affected by the macroeconomic and geopolitical environment and levels of consumer spending. ▲movement	No business is immune to difficult economic climates. The current macroeconomic environment is placing extraordinary financial pressures on businesses and consumers. The inflationary pressures resulting from the Covid-19 pandemic, the Ukrainian conflict and wider economic and political instability are exacerbating the challenging market conditions. Consumers are changing their shopping and eating habits and our retail customers are under immense pressure to deliver value and are therefore sharing that pressure with supplier partners.	Our strong and diversifying growth model, based on successful diversification across different proteins, expanding as a technology-led supply chain partner and built on our strong ESG credentials underpins our business resilience. We continue to broaden product ranges with our strong retail partners, maintaining a single-minded focus on minimising unit packing costs, whilst continuing to deliver high levels of product quality and integrity. The Group is able to harness its innovative and agile approach with its class-leading technology and systems to respond quickly and effectively to macroeconomic challenges and opportunities.
Risk 2 The Group's growth potential may be affected by the success of its customers and the growth of their packed food sales. ⊖ No movement	The Group's products predominantly carry the brand labels of the customer to whom packed food is supplied and it is accordingly dependent on its customers' success in maintaining or improving consumer perception of their own brand names and packed food offerings. Consumer perception is increasingly influenced by environmental, social and governance (ESG) considerations.	The Group plays a very proactive role in enhancing its customers' brand values, through providing high quality, competitively priced products, high service levels, continuing product and packaging innovation and category management support. It recognises that quality and traceability assurance are integral to its customers' brands and works closely with its customers to ensure rigorous quality assurance standards are met. It is continuously measured by its customers across a very wide range of parameters, including delivery time, product specification, product traceability and accuracy of documentation and targets demanding service levels across all these parameters. The Group works closely with its customers to identify continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage in the supply chain. Our ESG strategy underpins the growth of our product sectors for our customers, and supports them to reach their goals. Our ambitious 2025 Sustainable Protein Plan is in partnership with our customers and suppliers as we engage in the key collaborative initiatives that drive sustainability for our sectors and raise the bar together. We have set stretching goals that drive impactful actions that become integrated into our core business practices. Our data collection platform, Foods Connected, demonstrates the assurance of

		standards across our supply chains, and allows us to measure progress towards our 2025 targets. The detail of our strategy and its impact are described within the Sustainability section of this report.
Risk 3 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. ▲ movement	The Group has a relatively narrow, but expanding, customer base, with sales to subsidiary or associated companies of the Tesco, Ahold and Woolworths groups still comprising the larger part of Hilton's revenue. The larger retail chains continue to focus on strengthening their market share of protein products in the countries in which we operate, creating an increasingly competitive retail environment. This has increased the buying power of the Group's customers which in turn increases their negotiating power with the Group, which could enable them to seek better terms over time. During periods of unprecedented inflationary pressure, misalignment between production costs and agreed operational packing rates may occur, potentially impacting profitability.	The Group is progressively widening its customer base and maintaining a high level of investment in state-of-the-art facilities, which together with management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively. Hilton operates a decentralised, entrepreneurial business structure, which enables it to work very closely and flexibly with its retail partners in each country, in order to achieve high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety, product integrity and traceability assurance. Hilton has long-term supply agreements in place with its major customers, with pricing either on a cost plus or agreed packing rate basis. The Group maintains an ongoing focus on cost control, innovation and factory efficiency to manage inflationary pressures. Hilton continues to evolve and respond to changing market conditions. The provision of added value services deepens the relationships Hilton has with its retailer partners and investment in these services means that we are able to develop and maintain a technology advantage within our industry.
Risk 4 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	The Group may struggle to meet key strategic objectives and projects and fail to adhere to regulatory and legislative requirements, which in turn detracts from our performance delivery for our customers.	The Group carefully manages its skilled resources including succession planning and maintaining a talent pipeline. The Group is evolving its people capability balanced with an appropriate management structure within the overall organisation. Hilton continues to invest in on-the-job training and career development, whilst recruiting high quality new employees, as required to facilitate the Group's ongoing growth. Appointment of additional key resources and alignment of structures have supported the enhancement of project management control and oversight. Control systems embedded in project management enable the risks of growth to be appropriately highlighted and managed. To underscore our efforts, we have active relationships with strong industry experts across all areas of business growth.

reliance on stretched skilled resource and execution of simultaneous growth projects. No movement		In the current climate, strong partnership and proximity to our customers are fundamental. Hilton's leadership continues to develop its organisational structures to ensure as close a relationship with our retail partners as possible.
Risk 5 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. No movement	The Group is reliant on its suppliers to provide sufficient volume of products, to the agreed specifications, in the very short lead times required by its customers, with efficient supply chain management being a key business attribute. The Group has both local and global sourcing models. Current or future tariffs, quotas or trade barriers imposed by supplier countries and other global trade developments, could materially affect the Group's international procurement ability and therefore potentially impact our ability to meet agreed customer service levels.	The Group maintains a flexible global and local food supply base, which is progressively widening as it expands and is continuously audited to ensure standards are maintained, so as to have in place a wide range of options should supply disruptions occur. Further assurance is provided through the supply chain control and transparency the Group has enabled by its supplier management platform, Foods Connected, which facilitates robust supplier relationships.
Risk 6 Contamination within the supply chain including outbreaks of disease and feed contaminants affecting livestock and fish. No movement	This will potentially affect the Group's ability to procure sufficient quantities of safe raw material.	The Group sources its food from a trusted raw material supply base, all components of which meet stringent national, international and customer standards. The Group is subject to demanding standards which are independently monitored in every country and reliable product traceability and high welfare standards from the farm to the consumer are integral to the Group's business model. The Group ensures full traceability from source to packed product across all suppliers, supported by a comprehensive ongoing audit programme. Within our factories, Global Food Safety Initiative (GFSI) benchmarked food safety standards and our own factory standard assessments drive the enhancement of the processes and controls that are necessary to ensure that the risks of contaminants throughout the processing, packing and distribution stages are mitigated and traceable should a risk ever materialise.
Risk 7 Significant incidents such as fire, flood, pandemic or interruption of supply of key utilities could impact the Group's business continuity. The legacy of the Covid-19 pandemic continues to present challenges across the globe. No movement	Such incidents could result in systems or manufacturing process stoppages with consequent disruption and loss of efficiency which could impact the Group's sales.	The Group has robust business continuity plans in place including sister site support protocols enabling other sites to step in with manufacturing and distribution of key product lines where necessary. Continuity management systems and plans are suitably maintained and adequately tested including building risk assessments and emergency power solutions. There are appropriate insurance arrangements in place to mitigate against any associated financial loss. We continue to mitigate against the legacy impact of the Covid-19 pandemic.

Risk 8 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. ⊖ No movement	The Group's operations are underpinned by a variety of IT systems. Loss or disruption to those IT systems or extended times to recover data or functionality could impact the Group's ability to effectively operate its facilities and affect its sales and reputation.	The Group has a robust IT control framework, minimum operating standards, including working towards National Institute of Technology requirements, all of which are tested frequently by internal staff and by specialist external bodies. This framework is established as the key control to mitigate cyber risk and is applied consistently throughout the Group. The increased prominence of IT risk is mitigated by investments in IT infrastructure and now forms a regular part of the Group Risk Management Committee agenda and presentations to the Board. In accordance with Group strategy IT risk is considered when looking at new ventures and control measures implemented in new sites follow the Group common standards. There is internal training and resources available with emphasis on prevention, user awareness and recovery. Increasingly, IT forms part of site business continuity exercises which test and help develop the capacity to respond to possible crises or incidents. The technical infrastructure to prevent attacks, safeguard data and the resilience to recover are continuously developed including yearly assessments to meet emerging threats. IT systems including financial and banking systems are configured to prevent fraudulent payments. There are monthly IT security reviews to ensure compliance with expected levels of applications updates, and of server and data centres together with yearly penetration testing.
Risk 9 A significant breach of health and safety legislation as complexity increases in managing sites across different product groups and geographies. ⊖ No movement	Such breach in health and safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines or personal litigation claims.	The Group has established robust health and safety processes and procedures across its operations, including a Group oversight function which provides key guidance and support necessary to strengthen monitoring, best practice and compliance. The Group has also rolled out an enhanced standardised safety framework. Health and safety performance is reviewed regularly by the Board.
Risk 10 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,	Potential physical impacts from climate change could include a higher incidence of extreme weather events such as flooding, drought, and forest fires that could disrupt our supply chains and potentially impact production capabilities, increase costs and add complexity. Action taken by societies could reduce the severity of these impacts. Governmental efforts to mitigate climate change may lead to policy and regulatory changes as well as shifts in	We continue to develop our approach to climate change risk mitigation. We have committed to set a science-based target through the Science Based Targets initiative and signed the Business Ambition for 1.5°C pledge to decarbonise our own operations and supply chains. We have set energy and water efficiency targets for our sites and continue to engage in global collaborative action for decarbonisation of our key raw materials. We are directing our efforts towards a net zero carbon footprint before 2050. Shifts in consumer demand are an opportunity for growth in our portfolio of plant based and seafood

reputational impacts, and shifts in market preferences and technology. ⊖ No movement	consumer demand. The potential transitional impacts include additional costs of low greenhouse gas emission farming systems, and the potential of carbon price regulation aimed at shifting consumers to lower carbon foods, which may reduce the profitability of some of our products. Additionally there is increased stakeholder focus on climate change issues. Our reputation could be impacted if we are not active in reducing the climate impacts of our operations and supply chains, resulting in lower demand for our products.	products. Additionally, we are ensuring we have the flexibility to adapt our supply chains over time to mitigate physical disruption. We continue to review and develop our assessment of the key physical and transition risks impacting our business in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our full assessment of climate risks and opportunities in line with the TCFD framework is described within the Sustainability section of this report.

Note: References in this preliminary announcement to the Strategic report, the Corporate and social responsibility report, the Directors' report and the Corporate Governance statement are to reports which will be available in the Company's full published accounts.

Responsibility statement of the Directors in respect of the Annual report and financial statements

Each of the Directors whose names and functions are set out below confirms that to the best of their knowledge and belief:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company and profit of the Group; and

- the management reports, which comprise the Strategic report and the Directors' report, include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 4 April 2023 and is signed on its behalf by:

Directors

R Watson OBE	Chairman
M Osborne	Chief Financial Officer

Consolidated statement of comprehensive income

	Notes	**2022** **52 weeks** **£'000**	2021 52 weeks £'000 Restated (note 2)*
Continuing operations			
Revenue	3	**3,847,600**	3,301,970
Cost of sales*		**(3,464,837)**	(2,982,155)
Gross profit		**382,763**	319,815
Distribution costs		**(42,028)**	(25,083)
Other administrative expenses*		**(276,048)**	(226,175)
Exceptional items	4	**(11,896)**	(7,050)
Total administrative expenses		**(287,944)**	(233,225)
Share of profit in joint ventures		**1,235**	1,925
Operating profit		**54,026**	63,432
Finance income	5	**356**	10
Other finance costs		**(24,768)**	(14,913)
Exceptional finance costs	4	**-**	(1,131)
Total finance costs	5	**(24,768)**	(16,044)
Finance costs – net		**(24,412)**	(16,034)
Profit before income tax		**29,614**	47,398
Income tax expense		**(10,267)**	(11,232)
Exceptional tax income	4	**145**	3,116
Total income tax expense	6	**(10,122)**	(8,116)
Profit for the period		**19,492**	39,282
Attributable to:			
Owners of the parent		**17,706**	37,143
Non-controlling interests		**1,786**	2,139
		19,492	39,282
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	7	**19.8**	45.0
Diluted (pence)	7	**19.7**	44.5

*Restated

	2022 **52 weeks** **£’000**	2021 52 weeks £’000
Profit for the period	**19,492**	39,282
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss		
Currency translation differences	**29**	(7,090)
Gain on cash flow hedges	**786**	-
Other comprehensive (expense) for the year net of tax	**815**	(7,090)
Total comprehensive income for the year	**20,307**	32,192
Total comprehensive income attributable to:		
Owners of the parent	**18,219**	30,417
Non-controlling interests	**2,088**	1,775
	20,307	32,192

The notes are an integral part of these consolidated financial statements.

Consolidated and Company Balance sheets

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Assets					
Non-current assets					
Property, plant and equipment	9	**327,611**	291,488	**-**	-
Intangible assets	10	**160,480**	105,775	**-**	-
Lease: right of use assets	11	**216,578**	222,004	**-**	-
Investments		**6,208**	5,539	**247,785**	247,785
Trade and other receivables		**-**	2,239	**-**	-
Deferred income tax assets		**13,801**	6,952	**-**	-
		724,678	633,997	**247,785**	247,785
Current assets					
Inventories		**206,729**	156,517	**-**	-
Trade and other receivables		**271,160**	230,388	**5,875**	2,874
Current tax assets		**5,995**	5,212	**-**	-
Other financial asset		**-**	1,140	**-**	-
Cash and cash equivalents		**87,224**	140,170	**186**	151
		571,108	533,427	**6,061**	3,025
Total assets		**1,295,786**	1,167,424	**253,846**	250,810
Equity					
Equity attributable to owners of the parent					
Ordinary shares		**8,943**	8,893	**8,943**	8,893
Share premium		**144,926**	142,043	**144,926**	142,043
Own shares		**-**	(87)	**-**	-
Employee share schemes reserve		**5,004**	6,990	**-**	-
Foreign currency translation reserve		**(2,379)**	(2,106)	**-**	-
Cashflow hedging reserve		**786**	-	**-**	-
Retained earnings		**167,862**	176,449	**28,958**	28,850
Reverse acquisition reserve		**(31,700)**	(31,700)	**-**	-
Merger reserve		**919**	919	**71,019**	71,019
		294,361	301,401	**253,846**	250,805
Non-controlling interests		**10,956**	6,548	**-**	-
Total equity		**305,317**	307,949	**253,846**	250,805
Liabilities					
Non-current liabilities					
Borrowings	13	**270,510**	-	**-**	-
Lease liabilities	11	**230,152**	228,977	**-**	-
Deferred income tax liabilities		**15,921**	4,132	**-**	-
		516,583	233,109	**-**	-
Current liabilities					
Borrowings	13	**28,279**	224,732	**-**	-
Lease liabilities	11	**16,006**	14,419	**-**	-
Trade and other payables		**426,203**	387,215	**-**	5
Financial liabilities at fair value through OCI		**3,398**	-	**-**	-
		473,886	626,366	**-**	5
Total liabilities		**990,469**	859,475	**-**	5
Total equity and liabilities		**1,295,786**	1,167,424	**253,846**	250,810

The notes are an integral part of these consolidated financial statements.

R. Watson
Director

M. Osborne
Director

Hilton Food Group plc – Registered number: 06165540

The Company has taken advantage of the exemption in Section 408 Companies Act 2006 not to publish its individual income statement, statement of comprehensive income and related notes. Profit for the period dealt with in the income statement of Hilton Food Group plc amounted to £25,600,000 (2021: £24,300,000).

Consolidated and Company Statement of changes in equity

		Attributable to owners of the parent											
Group	Notes	Share capital £'000	Share premium £'000	Own shares £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Cashflow hedge reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'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
Profit for the period		-	-	-	-	-	-	37,143	-	-	37,143	2,139	39,282
Other comprehensive income													
Currency translation differences		-	-	-	-	(6,726)	-	-	-	-	(6,726)	(364)	(7,090)
Total comprehensive income for the period		-	-	-	-	(6,726)	-	37,143	-	-	30,417	1,775	32,192
Issue of new shares		699	76,424	-	-	-	-	-	-	-	77,123	-	77,123
Purchase of own shares		-	-	(2,278)	-	-	-	-	-	-	(2,278)	-	(2,278)
Adjustment in respect of employee share schemes		-	-	-	2,725	-	-	-	-	-	2,725	-	2,725
Settlement of employee share scheme		-	-	2,191	(2,191)	-	-	-	-	-	-	-	-
Tax on employee share schemes		-	-	-	333	-	-	-	-	-	333	-	333
Dividends paid	8	-	-	-	-	-	-	(22,301)	-	-	(22,301)	(1,783)	(24,084)
Total transactions with owners		699	76,424	(87)	867	-	-	(22,301)	-	-	55,602	(1,783)	53,819
Balance at 2 January 2022		8,893	142,043	(87)	6,990	(2,106)	-	176,449	(31,700)	919	301,401	6,548	307,949
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**17,706**	**-**	**-**	**17,706**	**1,786**	**19,492**
Other comprehensive expense													
Currency translation differences		**-**	**-**	**-**	**-**	**(273)**	**-**	**-**	**-**	**-**	**(273)**	**302**	**29**
Gain on cash flow hedging		**-**	**-**	**-**	**-**	**-**	**786**	**-**	**-**	**-**	**786**	**-**	**786**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(273)**	**786**	**17,706**	**-**	**-**	**18,219**	**2,088**	**20,307**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**(801)**	**-**	**-**	**(801)**	**3,584**	**2,783**
Issue of new shares		**50**	**2,883**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,933**	**-**	**2,933**
Adjustment in respect of employee share schemes		**-**	**-**	**-**	**(655)**	**-**	**-**	**-**	**-**	**-**	**(655)**	**-**	**(655)**
Settlement of employee share scheme		**-**	**-**	**87**	**(300)**	**-**	**-**	**-**	**-**	**-**	**(213)**	**-**	**(213)**
Tax on employee share schemes		**-**	**-**		**(1,031)**	**-**	**-**	**-**	**-**	**-**	**(1,031)**	**-**	**(1,031)**
Dividends paid	8	**-**	**-**	**-**	**-**	**-**	**-**	**(25,492)**	**-**	**-**	**(25,492)**	**(1,264)**	**(26,756)**
Total transactions with owners		**50**	**2,883**	**87**	**(1,986)**	**-**	**-**	**(26,293)**	**-**	**-**	**(25,259)**	**2,320**	**(22,939)**
Balance at 1 January 2023		**8,943**	**144,926**	**-**	**5,004**	**(2,379)**	**786**	**167,862**	**(31,700)**	**919**	**294,361**	**10,956**	**305,317**
Company													
Balance at 4 January 2021		8,194	65,619	-	-	-	-	26,851	-	71,019	171,683	-	171,683
Profit for the period		-	-	-	-	-	-	24,300	-	-	24,300	-	24,300
Total comprehensive income for the year		-	-	-	-	-	-	24,300	-	-	24,300	-	24,300
Issue of new shares		699	76,424	-	-	-	-	-	-	-	77,123	-	77,123
Dividends paid	8	-	-	-	-	-	-	(22,301)	-	-	(22,301)	-	(22,301)
Total transactions with owners		699	76,424	-	-	-	-	(22,301)	-	-	54,822	-	54,822
Balance at 2 January 2022		8,893	142,043	-	-	-	-	28,850	-	71,019	250,805	-	250,805
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**25,600**	**-**	**-**	**25,600**	**-**	**25,600**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**25,600**	**-**	**-**	**25,600**	**-**	**25,600**
Issue of new shares		**50**	**2,883**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,933**	**-**	**2,933**
Dividends paid	8	**-**	**-**	**-**	**-**	**-**	**-**	**(25,492)**	**-**	**-**	**(25,492)**	**-**	**(25,492)**
Total transactions with owners		**50**	**2,883**	**-**	**-**	**-**	**-**	**(25,492)**	**-**	**-**	**(22,559)**	**-**	**(22,559)**
Balance at 1 January 2023		**8,943**	**144,926**	**-**	**-**	**-**	**-**	**28,958**	**-**	**71,019**	**253,846**	**-**	**253,846**

The notes are an integral part of these consolidated financial statements.

Consolidated and Company Cash flow statements

	Notes	Group 2022 52 weeks £'000	Group 2021 52 weeks Restated £'000	Company 2022 52 weeks £'000	Company 2021 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	14	**98,312**	121,259	**-**	-
Interest paid		**(24,768)**	(16,044)	**-**	-
Income tax paid		**(13,881)**	(19,210)	**-**	-
Net cash generated from operating activities		**59,663**	86,005	**-**	-
Cash flows from investing activities					
Acquisition of subsidiary*		**(81,822)**	(35,453)	**-**	-
Acquisition investments		**(1,764)**	-	**-**	-
Other financial asset - restricted cash		**-**	(1,140)	**-**	-
Settlement of deferred consideration		**-**	(2,500)	**-**	-
Issue of inter-company loan		**-**	-	**(1,206)**	(77,377)
Purchases of property, plant and equipment		**(55,140)**	(56,251)	**-**	-
Proceeds from sale of property, plant and equipment		**261**	114	**-**	-
Purchases of intangible assets		**(1,622)**	(1,115)	**-**	-
Interest received		**356**	10	**-**	-
Dividends received		**-**	-	**25,600**	24,300
Dividends received from joint venture		**672**	2,273	**-**	-
Net cash (used in)/generated from investing activities		**(139,059)**	**(94,062)**	**24,394**	(53,077)
Cash flows from financing activities					
Purchase of non-controlling interest		**(1,151)**	-	**-**	-
Proceeds from borrowings*		**295,790**	65,237	**-**	-
Repayments of borrowings		**(228,565)**	(79,819)	**-**	-
Payment of lease liability		**(15,631)**	(6,588)	**-**	-
Issue of ordinary shares*		**1,133**	75,339	**1,133**	75,339
Purchase of own shares		**-**	(2,278)	**-**	-
Dividends paid to owners of the parent		**(25,492)**	(22,301)	**(25,492)**	(22,301)
Dividends paid to non-controlling interests		**(1,264)**	(1,783)	**-**	-
Net cash generated from/(used in) financing activities		**24,820**	27,807	**(24,359)**	53,038
Net (decrease)/increase in cash and cash equivalents		**(54,576)**	19,750	**35**	(39)
Cash and cash equivalents at beginning of the year		**140,170**	123,816	**151**	190
Exchange gains/(losses) on cash and cash equivalents		**1,630**	(3,396)	**-**	-
Cash and cash equivalents at end of the year		**87,224**	140,170	**186**	151

The notes are an integral part of these consolidated financial statements.

Notes to the financial statements

1 General information

Hilton Food Group plc (‘the Company’) and its subsidiaries (together ‘the Group’) is a leading specialist international food packing business supplying major international food retailers in fourteen European countries, Australia and New Zealand. The Company’s subsidiaries are listed in a note to the full financial statements.

The Company is a public company limited by shares incorporated and domiciled in the UK and registered in England. 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.

The financial period represents the 52 weeks to 1 January 2023 (prior financial period 52 weeks to 2 January 2022).

This preliminary announcement was approved for issue on 4 April 2023.

2 Summary of significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 2 January 2022.

Basis of preparation

The consolidated and company financial statements of Hilton Food Group plc have been prepared under the historical cost convention except for certain financial assets and liabilities measured at fair value and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated and company financial statements have been prepared on the going concern basis. The reasons why the Directors consider this basis to be appropriate are set out in the Performance and financial review.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£’000) except when otherwise indicated.

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 1 January 2023 and 2 January 2022 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Prior period adjustments

Following discussions with the FRC in connection with their limited scope review of the 2021 Annual Report, that was focused on disclosures relating to business combinations, prior period adjustments have been made to restate the Consolidated cash flow statement, Deferred tax disclosures and the disclosures of the Analysis and movement in net debt (note 15).

Presentation of cash outflow for the acquisition of subsidiary

The 2021 Consolidated cash flow statement recognised a £39,062,000 cash out flow within investing activities for the acquisition of subsidiary.

This figure included:

- £8,504,000 of debt acquired as part of the acquisition of Fairfax Meadow Europe Limited that was immediately repaid as a result of the requirements of change of control clauses within related bank facility agreements.
- £1,824,000 of debt acquired as part of the Dalco acquisition.
- £1,785,000 in respect of the fair value of shares transferred to the vendors as part of the consideration for the acquisition of Dalco. This amount was offset by a corresponding cash inflow recognised within the total £77,123,000 cash inflow from the issue of ordinary shares included within financing activities.

(i) Acquisition of Fairfax Meadow

The repayment of the loans acquired with Fairfax Meadow was triggered by pre-existing change of control clauses requiring the debt to be repaid and therefore, in accordance IAS 7, the repayment of the acquired debt was classified within the cash out flow from the acquisition of a subsidiary.

However, as the cashflows were not between the group and the vendors of Fairfax Meadow the fair value of the acquired debt has been included within the fair value of assets and liabilities acquired rather than as part of consideration.

As a result of this classification the £8,504,000 debt acquired and subsequently repayment should have been recognised as separate line items with the movements in net debt note. The movement in net debt detailed in note 15 for the 2021 financial period has therefore been restated to reflect this.

(ii) Acquisition of Dalco

The £1,824,000 of debt acquired as part of the acquisition of Dalco was not repaid at the point of acquisition and the £1,785,000 consideration paid in shares to the vendors was a non-cash item and therefore neither item should have been recognised as part of the cash out flow for the acquisition of a subsidiary.

To correct for this the 2021 comparative cashflow statement has been restated as follows:

- the cash outflow for the acquisition of subsidiary has been reduced by £3,609,000 to £35,453,000 with a corresponding £3,609,000 reduction in the net cash outflow from investing activities to £94,062,000.
- Proceeds from borrowings reduced by £1,824,000 to £65,238,000.
- Issue of ordinary shares reduced by £1,785,000 to £75,339,000.
- With a corresponding overall reduction of £3,609,000 in net cash generated from financing activities reduced to £27,807,000.

An adjustment has also been made to restate the movement in net debt for 2021 in note 15 to show £1,824,000 of further debt acquired with a corresponding reduction to £65,238,000 in the proceeds of new borrowings.

Deferred Tax

The provisional fair value assessment of the assets and liabilities acquired through business combinations recognised in the 2021 Annual Report included total deferred tax liabilities of £3,266,000.

In the 2021's financial statement disclosures the total deferred tax amount recognised was included within the movement of deferred tax as a result of accelerated capital allowances.

However, included within this total figure was £3,001,000 recognised in respect of acquired brand and customer relationship intangible assets.

The prior period deferred tax note movements have therefore been restated to correctly classify the movement that related to the valuation of acquired brand and customer relationship intangible assets.

Depreciation

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 cost of sales increasing by £46,263,000 in the prior period with a corresponding reduction in gross profit. Other Administrative expenses have also therefore reduced by £46,263,000.

3 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 nine operating segments: i) United Kingdom; ii) Netherlands; iii) Belgium; iv) Republic of Ireland; v) Sweden; vi) Denmark; vii) Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia; viii) Portugal; ix) APAC and x) Central costs. The United Kingdom, Netherlands, Belgium, 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, seafood 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:

Group	**Europe £'000**	**APAC £'000**	**Central costs £'000**	**2022 Total £'000**	Europe £'000	APAC £'000	Central costs £'000	2021 Total £'000
Total revenue	**2,348,355**	**1,592,946**	**-**	**3,941,301**	2,040,618	1,314,602	-	3,355,220
Inter-co revenue	**(93,701)**	**-**	**-**	**(93,701)**	(53,250)	-	-	(53,250)
Third party revenue	**2,254,654**	**1,592,946**	**-**	**3,847,600**	1,987,368	1,314,602	-	3,301,970
Adjusted operating profit/(loss) segment result (see note 17)	**49,672**	**26,705**	**(5,233)**	**71,144**	61,788	22,370	(10,591)	73,567
Amortisation of acquired intangibles	**(8,257)**	**-**	**-**	**(8,257)**	(2,778)	-	-	(2,778)
Exceptional items	**(9,014)**	**-**	**(2,882)**	**(11,896)**	(6,994)	-	-	(6,994)
Impact of IFRS 16	**915**	**2,120**	**-**	**3,035**	291	(654)	-	(363)
Operating profit/(loss) segment result	**33,316**	**28,825**	**(8,115)**	**54,026**	52,307	21,716	(10,591)	63,432
Finance income	**356**	**-**	**-**	**356**	10	-	-	10
Finance costs	**(8,094)**	**(5,336)**	**(11,338)**	**(24,768)**	(2,881)	(10,017)	(3,146)	(16,044)
Income tax (expense)/credit	**(3,469)**	**(7,505)**	**852**	**(10,122)**	(7,965)	(1,761)	1,610	(8,116)
Profit/(loss) for the period	**22,109**	**15,984**	**(18,601)**	**19,492**	41,471	9,938	(12,127)	39,282
Depreciation and amortisation	**39,776**	**37,640**	**353**	**77,769**	33,039	33,604	140	66,783
Additions to non-current assets	**46,197**	**9,643**	**1,167**	**57,007**	29,587	27,528	662	57,777
Segment assets	**769,936**	**481,229**	**24,825**	**1,275,990**	643,157	462,556	49,547	1,155,260
Current income tax assets	**-**	**-**	**-**	**5,995**	**-**	**-**	**-**	5,212
Deferred income tax assets	**-**	**-**	**-**	**13,801**	**-**	**-**	**-**	6,952
Total assets	**-**	**-**	**-**	**1,295,786**	**-**	**-**	**-**	1,167,424
Segment liabilities	**386,903**	**466,492**	**121,153**	**974,548**	346,403	419,611	89,329	855,343
Deferred income tax liabilities	**-**	**-**	**-**	**15,921**	**-**	**-**	**-**	4,132
Total liabilities	**-**	**-**	**-**	**990,469**	**-**	**-**	**-**	859,475

Sales between segments are carried out at arm's length.

The Executive Directors assess the performance of each operating segment based on its operating profit before exceptional items and amortisation of acquired intangibles and also before the impact of IFRS 16 (see note 17). Operating profit is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and their physical location. The liabilities are allocated based on the operations of the segment.

The Group has five principal customers (comprising groups of entities known to be under common control), Tesco, Ahold Delhaize, Coop Danmark, ICA Gruppen and Woolworths. These customers are located in the United Kingdom, Netherlands, Belgium, Republic of Ireland, Sweden, Denmark and Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia and APAC.

Analysis of revenues from external customers and non-current assets are as follows:

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2022	2021	**2022**	2021
Group	**£'000**	£'000	**£'000**	£'000

Analysis by geographical area				
United Kingdom – country of domicile	**1,184,006**	1,122,047	**257,481**	196,857
Netherlands	**446,387**	298,535	**56,671**	34,857
Belgium	**26,915**	25,687	**883**	1,327
Sweden	**237,438**	220,065	**9,119**	12,814
Republic of Ireland	**83,686**	95,349	**3,008**	4,711
Denmark	**131,845**	116,156	**16,468**	16,046
Central Europe	**142,905**	109,529	**23,717**	22,297
APAC	**1,594,418**	1,314,602	**343,530**	338,136
	3,847,600	3,301,970	**710,877**	627,045
Analysis by principal customer				
Customer 1	**1,100,571**	1,156,771		
Customer 2	**341,289**	327,293		
Customer 3	**230,716**	231,492		
Customer 4	**124,506**	113,555		
Customer 5	**1,430,806**	1,314,602		
Other	**619,712**	158,257		
	3,847,600	3,301,970		

4 Exceptional items

Group	**Operating profit 2022 £'000**	**Finance costs 2022 £'000**	**Tax 2022 £'000**	**Profit after tax 2022 £'000**
Fire in Belgium	**9,500**	**-**	**-**	**9,500**
Acquisition of Foods Connected Ltd	**(2,701)**	**-**	**-**	**(2,701)**
Acquisition related costs	**1,204**	**-**	**-**	**1,204**
Reorganisation costs	**3,893**	**-**	**(145)**	**3,748**
Total exceptional costs	**11,896**	**-**	**(145)**	**11,751**

Group	Operating profit 2021 £'000	Finance costs 2021 £'000	Tax 2021 £'000	Profit after tax 2021 £'000
Fire in Belgium	11,661	-	(2,901)	8,760
Impact of acquisition of Dalco	(6,837)	-	-	(6,837)
Acquisition costs	2,226	1,131	(215)	3,142
Total exceptional costs	7,050	1,131	(3,116)	5,065

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 1 January 2023 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 £9,500,000 have been recognised in the period relating to additional costs incurred in continuing to operate in Belgium including the ongoing insurance and legal claim.

In the prior period an exceptional impairment totalling £11,661,000 was recognised in respect of assets that were destroyed by the fire, alongside additional costs incurred in continuing to operate in Belgium including insurance and legal claims.

Acquisition of Foods Connected Ltd

On 7 July 2022 the Group acquired a further 15% interest in Foods Connected Ltd taking its total holding to 65% (see note 12) 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 £2,701,000, being the difference between the carrying value and fair value of the joint venture interest, recognised.

In 2021 the Group acquired the remaining 50% interest in Dalco Food BV (see note 12) and the financial position and performance of the business was fully consolidated from this date. The Group's joint venture interest was effectively disposed of at this date with an exceptional gain of £6,837,000, 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 £3,893,000 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 £145,000 has been recognised in respect of these costs.

Acquisition Costs

During the period the Group has recognised exceptional acquisition costs relating primarily to the acquisition of Foppen in respect legal and professional fees and other related costs of £1,204,000. In 2021 the business recognised £2,226,000 of exceptional acquisition costs in respect to legal and professional fees and £1,131,000 of exceptional finance costs related to the agreement of short term acquisition bridge finance.

5 Finance income and finance costs

Group	**2022 £'000**	2021 £'000
Finance income		
Other interest income	**356**	10
Finance income	**356**	10
Finance costs		
Bank borrowings	**(12,241)**	(5,132)
Interest on lease liabilities	**(8,758)**	(8,536)
Exceptional finance costs (note 4)	**-**	(1,131)
Other interest expense	**(3,769)**	(1,245)
Finance costs	**(24,768)**	(16,044)
Finance costs – net	**(24,412)**	(16,034)

6 Income tax expense

Group	**2022 £'000**	2021 £'000
Current income tax		
Current tax on profits for the period	**13,697**	12,646
Adjustments to tax in respect of previous periods	**195**	(2,322)
Total current tax	**13,892**	10,324
Deferred income tax		
Origination and reversal of temporary differences	**(3,753)**	(3,342)
Adjustments to tax in respect of previous periods	**(17)**	1,134
Total deferred tax	**(3,770)**	(2,208)
Income tax expense	**10,122**	8,116

Deferred tax charged directly to equity during the period in respect of employee share schemes amounted to £1,031,409 (2021: charge £333,000).

Factors affecting future tax charges

The Group operates in numerous tax jurisdictions around the world and is subject to factors that may affect future tax charges including transfer pricing, tax rate changes and tax legislation changes.

The UK Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The tax on the Group's profit before income tax differs (2021: differs) from the theoretical amount that would arise using the standard rate of UK Corporation Tax of 19% (2021: 19%) applied to profits of the consolidated entities as follows:

	2022 **£'000**	2021 £'000
Profit before income tax	**29,614**	47,398
Tax calculated at the standard rate of UK Corporation Tax 19% (2021: 19%)	**5,627**	9,006
Effects of:		
Expense/(income) not deductible for tax purposes	**1,074**	(15)
Joint venture received net of tax	**(238)**	(471)
Adjustments to tax in respect of previous periods	**178**	(1,188)
Profits taxed at rates other than 19% (2021: 19%)	**5,867**	2,746
Impact of change in tax rates	**(398)**	(633)
Non-taxable gain on acquisition of JV	**(513)**	(1,299)
Unrelieved losses carried forward	**(444)**	-
Deferred tax recognised in reserves	**(1,031)**	
Other	**-**	(30)
Income tax expense	**10,122**	8,116

Adjustments to tax in respect of prior periods have resulted from changes in assumptions in respect of deductible expenses and the application of capital allowances.

7 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent 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 Group 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 Group'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.

Group		**Basic**	**2022** **Diluted**	Basic	2021 Diluted
Profit attributable to owners of the parent	(£'000)	**17,706**	**17,706**	37,143	37,143
Weighted average number of ordinary shares in issue	(thousands)	**89,234**	**89,234**	82,456	82,456
Adjustment for share options	(thousands)	**-**	**690**	-	1,098
Adjusted weighted average number of ordinary shares	(thousands)	**89,234**	**89,924**	82,456	83,554
Basic and diluted earnings per share	(pence)	**19.8**	**19.7**	45.0	44.5

8 Dividends

Group and Company	**2022** **£'000**	2021 £'000
Final dividend in respect of 2021 paid 21.5p per ordinary share (2020: 19.0p)	**19,143**	15,561
Interim dividend in respect of 2022 paid 7.1p per ordinary share (2021: 8.2p)	**6,349**	6,740
Total dividends paid	**25,492**	22,301

The Directors propose a final dividend of 22.6p (2021: 21.5p) per share payable on 30 June 2023 to shareholders who are on the register at 2 June 2023. This dividend totalling £20.2m (2021: £19.1m) has not been recognised as a liability in these consolidated financial statements.

9 Property, plant and equipment

Group	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 4 January 2021	97,523	443,243	20,498	172	561,436
Exchange adjustments	(3,248)	(19,497)	(1,136)	(8)	(23,889)
Acquisition (note 12)	2,315	7,843	548	123	10,829
Additions	15,125	37,487	3,606	33	56,251
Exceptional impairment (note 4)	-	(7,049)	-	-	(7,049)
Transfer	430	(769)	(4,165)	3	(4,501)
Disposals	(469)	(260)	(735)	(15)	(1,479)
At 2 January 2022	111,676	460,998	18,616	308	591,598
Accumulated depreciation					
At 4 January 2021	30,350	224,905	15,333	2	270,590
Exchange adjustments	(924)	(10,560)	(781)	(7)	(12,272)
Charge for the period	4,440	37,384	2,297	65	44,186
Exceptional impairment (note 4)	-	(672)	-	-	(672)
Transfer	-	-	(553)	-	(553)
Disposals	(87)	(192)	(878)	(12)	(1,169)
At 2 January 2022	33,779	250,865	15,418	48	300,110
Net book amount					
At 4 January 2021	67,173	218,338	5,165	170	290,846
At 2 January 2022	77,897	210,133	3,198	260	291,488
Cost					
At 3 January 2022	**111,676**	**460,998**	**18,616**	**308**	**591,598**
Exchange adjustments	**3,313**	**15,110**	**654**	**25**	**19,102**
Acquisition (note 12)	**6,040**	**11,443**	**1,263**	**81**	**18,827**
Additions	**6,484**	**44,946**	**3,591**	**119**	**55,140**
Transfer	**-**	**496**	**100**	**-**	**596**
Disposals	**(7)**	**(1,171)**	**(47)**	**-**	**(1,225)**
At 1 January 2023	**127,506**	**531,822**	**24,177**	**533**	**684,038**
Accumulated depreciation					
At 3 January 2022	**33,779**	**250,865**	**15,418**	**48**	**300,110**
Exchange adjustments	**1,122**	**7,960**	**406**	**17**	**9,505**
Charge for the period	**7,623**	**36,529**	**2,712**	**121**	**46,985**
Transfer	**-**	**496**	**100**	**-**	**596**
Disposals	**(7)**	**(717)**	**(45)**	**-**	**(769)**
At 1 January 2023	**42,517**	**295,133**	**18,591**	**186**	**356,427**
Net book amount					
At 1 January 2023	**84,989**	**236,689**	**5,586**	**347**	**327,611**

The cost and net book amount of property plant and equipment in the course of its construction included above comprise plant and machinery £26,877,000 (2021: £13,025,000).

Additions to property, plant and equipment include capitalised interest costs of £Nil (2021: £725,000).

10 Intangible assets

Group	Computer software £'000	Brand and customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 4 January 2021	10,980	22,560	47,582	81,122
Exchange adjustments	(411)	-	-	(411)
Acquisition (note 12)	158	12,519	21,900	34,577
Additions	1,526	-	-	1,526
Transfer	4,501	-	-	4,501
Disposals	(3)	-	-	(3)
At 2 January 2022	16,751	35,079	69,482	121,312
Accumulated amortisation				
At 4 January 2021	3,420	7,631	-	11,051
Exchange adjustments	(235)	-	-	(235)
Charge for the period	1,468	2,702	-	4,170
Transfer	553	-	-	553
Disposals	(2)	-	-	(2)
At 2 January 2022	5,204	10,333	-	15,537
Net book amount				
At 4 January 2021	7,560	14,929	47,582	70,071
At 2 January 2022	11,547	24,746	69,482	105,775
Cost				
At 3 January 2022	**16,751**	**35,079**	**69,482**	**121,312**
Exchange adjustments	**19**	**-**	**-**	**19**
Acquisition (note 12)	**2,849**	**37,452**	**21,105**	**61,406**
Impact of finalising fair value of prior year acquisitions (note 12)	**-**	**9,440**	**(8,053)**	**1,387**
Additions	**1,867**	**-**	**-**	**1,867**
Transfer	**(596)**	**-**	**-**	**(596)**
At 1 January 2023	**20,890**	**81,971**	**82,534**	**185,395**
Accumulated amortisation				
At 3 January 2022	**5,204**	**10,333**	**-**	**15,537**
Charge for the period	**2,019**	**7,955**	**-**	**9,974**
Transfer	**(596)**	**-**	**-**	**(596)**
At 1 January 2023	**6,627**	**18,288**	**-**	**24,915**
Net book amount				
At 1 January 2023	**14,263**	**63,683**	**82,534**	**160,480**

Amortisation charges are included within administrative expenses in the income statement.

Goodwill Impairment Testing

Goodwill includes Seachill UK Limited £44,000,000 (purchased 2017), SV Cuisine Limited £2,789,000 (purchased 2021), Dalco £10,168,000 (purchased in 2021), Fairfax Meadow Limited £3,685,000 (purchased in 2021), Dutch Seafood Company BV (Foppen) £17,805,000 (purchased in 2022) and Foods Connected Ltd £3,300,000 (controlling interest purchased in 2022). Each business is considered to be a separate cash generating units. The recoverable amount of the cash generating units was based on a value-in-use basis using a discounted cash flow model. For each cash generating unit the recoverable amounts calculated exceeded their carrying value.

The key assumptions used in the calculations are projected EBITDA, projected profit after tax, the pre-tax and post-tax discount rates and the growth rates used to extrapolate cash flows beyond the projected period. EBITDA and profit after tax are based on one-year budgets approved by the Board and longer term, three year, projections based on past experience adjusted to take account of the impact of expected changes to sales prices, volumes, business mix and margin. Cash flows are discounted at a pre-tax discount rate of

9.6%-10% (2021: 10%) with a growth rate of 2% (2021: 2%) used to extrapolate cash flows. Discount rates and growth rates are calculated with reference to external benchmarks and where relevant past experience.

Sensitivity to changes in assumptions

The calculation is most sensitive to changes in the assumptions used for projected cash flow, the pre-tax discount rate and the growth rate. Management considers that reasonably possible changes in assumptions would be an increase in discount rate of 0.5%, a reduction in growth rate of 0.5% percentage point or a 5% reduction in budgeted cash flow. The impact in running reasonable sensitivities did not result in a material impairment in any of the CGU's subject to impairment testing.

No indicators of impairment were identified in respect of other, amortised, intangible assets and therefore no impairment review has been undertaken.

Goodwill acquired in the period

Goodwill and other intangible assets totalling £21,105,000 has been provisionally recognised following the acquisitions of Foods Connected Ltd and final numbers for Foppen Group with each forming separate cash generating units in the period (see note 12). The individual cash generating units have been tested for impairment in the 2022 financial period.

11 Leases

(i) Amounts recognised in the balance sheet

The balance sheet includes the following amounts relating to leases:

Lease: right of use assets

Group	Land & Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Opening net book amount as at 4 January 2021	231,420	1,106	2,609	235,135
Exchange Adjustments	(9,945)	(147)	(108)	(10,200)
Additions	2,739	2,418	420	5,577
Acquisition (note 12)	6,066	5,139	1,289	12,494
Remeasurements, reclassification and scope changes	-	(336)	-	(336)
Depreciation	(16,339)	(927)	(1,161)	(18,427)
Disposal of leased assets destroyed by fire (note 4)	(2,168)	(19)	(52)	(2,239)
Closing net book amount at 2 January 2022 and 3 January 2023	211,773	7,234	2,997	222,004
Exchange Adjustments	**5,946**	**230**	**80**	**6,256**
Additions	**2,462**	**2,272**	**1,101**	**5,835**
Acquisition (note 12)	**3,106**	**-**	**108**	**3,214**
Remeasurements, reclassification and scope changes	**120**	**-**	**(71)**	**49**
Depreciation	**(17,105)**	**(1,945)**	**(1,730)**	**(20,780)**
Closing net book amount at 1 January 2023	**206,302**	**7,791**	**2,485**	**216,578**

Lease liabilities **Group**	**2022** **£'000**	2021 £'000
Current	**16,006**	14,419
Non-current	**230,152**	228,977
	246,158	243,396

Maturity analysis - contractual undiscounted cash flows **Group**	**2022** **£'000**	2021 £'000
Less than one year	**22,645**	22,716
One to five years	**86,449**	79,010
More than five years	**220,081**	233,673
Total lease liabilities	**329,175**	335,399

(ii) Amounts recognised in the consolidated income statement

The income statement shows the following amounts related to leases:

Depreciation charge on right-of-use assets Group	2022 £'000	2021 £'000
Buildings	**17,105**	16,339
Plant & equipment	**1,945**	927
Vehicles	**1,730**	1,161
	20,780	18,427

Interest expenses (included in finance costs)	**8,758**	8,536
Expenses relating to short-term leases (included in costs of goods sold and administrative expenses)	**748**	136
Expenses relating to leases of low-value assets that have not been shown above as short-term (included in costs of goods sold and administrative expenses)	**-**	3

The total cash outflow for leases in 2022 was £24,387,000 (2021: £17,307,000).

Variable Lease Payments
Leases with liabilities recognised of £9,476,000 (2021: £9,824,000), accounting for 3.8% (2021: 4.0%) of total lease liabilities, are subject to five yearly RPI linked rent reviews. These rent reviews are subject to a minimum collar, the impact of which is included in the calculation of lease liabilities and a maximum cap. If the impact of these variable lease payments had been recognised, applying index levels as at 1 January 2023, lease liabilities would have increased by 2022: £4,536,000 (2021: £1,895,000).

In addition, leases with liabilities recognised totalling £5,021,000 (2021: £6,408,000), accounting for 2.0% (2021: 2.6%) of total lease liabilities, are subject to annual CPI linked rent increases. If the impact of these variable lease payments had been recognised, applying index levels as at 1 January 2023, lease liabilities would have increased by £1,054,000 (2021: £278,000).

12 Business combinations

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 Ltd taking its interest from 50% to 65%. Foods Connected Ltd provides Software Solutions for Supply Chain, Procurement, Food Safety, Quality and CSR.

Group	Dutch Seafood Company BV (Foppen) £'000	Foods Connected Ltd £'000
Property, plant and equipment	**16,792**	**71**
Intangibles-Technology	**-**	**2,849**
Brand and customer relationship intangibles	**30,488**	**6,964**
Lease: Right-of-use asset	**3,214**	**-**
Inventories	**22,580**	**-**
Trade and other receivables	**13,556**	**1,231**
Cash and cash equivalents	**-**	**230**
Trade and other payables	**(13,334)**	**(1,509)**
Borrowings	**(56,938)**	**-**
Lease liabilities	**(3,214)**	**-**
Deferred tax	**(3,050)**	**(1,882)**
Derivative financial instruments	**(2,785)**	**-**
Goodwill	**17,805**	**3,300**

Fair value of assets acquired	**25,114**	**11,254**
Consideration		
Paid on completion	**25,114**	**-**
Issue of shares	**-**	**1,688**
Non-controlling interest	**-**	**3,939**
Deemed fair value of existing 50% interest	**-**	**5,627**
	25,114	**11,254**

Dutch Seafood Company BV (Foppen)

The acquisition of Foppen 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 fair value of these intangible assets of £30,488,000 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 £17,805,000 has been recognised and mainly relates to the strategic benefits for Hilton of diversifying its product and geographic portfolio.

In the period 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.

The Consolidated cash flow statement recognises a £82,052,000 for cash out flow within investing activities for the acquisition of subsidiary. This figure comprises £56,938,000 of debt repaid immediately on completion of the acquisition as a result of the requirements of change of control clauses within related bank facility agreements and the £25,114,000 cash consideration paid to the vendors.

The acquired business contributed revenues of £86,073,000 and operating profit of £4,300,000 to the group for the period from 16 March to 1 January 2023.

Foods Connected Ltd

Consideration for the acquisition of the 15% interest in Foods Connected Ltd totalled £1,688,000 comprised of 170,305 Hilton Food Group plc shares at Market Value taking the holding of Foods Connected to 65%. 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 Ltd as a subsidiary the Group has recognised an exceptional gain of £2,701,000 being the difference between the carrying value of its joint venture interest at the date of acquisition and its fair value.

The fair value of the technology acquired was established following a review undertaken by qualified personnel and reflects their existing use value.

The value of Intangible assets -technology used in the company’s operations have been reviewed and valued at £2,849,000.

The value of customer relationships have also been assessed with the support of competent professionals. Customer relationships have been assessed to have a fair value of £6,964,000 and a useful economic life of 22 years. The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Goodwill of £3,300,000 has provisionally been recognised in 2022. Residual goodwill relates to the strategic benefits for Hilton of diversifying its business and the know-how of Foods Connected Ltd’s employees.

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

The acquired business contributed revenues of £2,876,000 and operating profit of £262,000 to the group for the period from 7 July to 1 January 2023.

2021

Group	**Dalco Food BV £'000**	**Fairfax Meadow Europe Limited £'000**
Property, plant and equipment	6,047	6,782
Brand and customer relationship intangibles	10,193	11,766
Lease: Right-of-use asset	5,303	7,191
Inventories	8,142	7,982
Trade and other receivables	5,992	13,343
Trade and other payables	(8,767)	(16,782)
Borrowings	(1,825)	(8,504)
Lease liabilities	(5,303)	(7,094)
Deferred tax	(3,175)	(3,023)
Goodwill	10,168	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

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.

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.

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.

Updated fair values are presented above and have now been finalised.

Goodwill of £10,168,000 has been recognised in 2022 compared to £18,967,000 recognised in 2021 and relates to the strategic benefits for Hilton of diversifying its product portfolio into the vegan and vegetarian protein market. The adjustment in Goodwill has gone to recognising Customer and Brand relationship, uplifting the fair value of fixed assets and recognising a deferred tax liability.

The fair value of property, plant and equipment acquired was established following a review undertaken by qualified surveyors and reflects their existing use value uplifting their fair value by £1,540,000 an increase of £1,654,000 reported in 2021.

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 £10,193,000 (£Nil 2021) 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. As part of the transaction a deferred tax liability of £2,933,000 has been recognised.

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. This figure included £8,504,000 of debt acquired as part of the acquisition of Fairfax Meadow Europe Limited that was immediately repaid as a result of the requirements of change of control clauses within related bank facility agreements.

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. A corresponding increase in Goodwill has been recognised.

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

13 Borrowings

Group	**2022** **£'000**	2021 £'000
Current		
Bank borrowings	**28,279**	224,732
Non-current		
Bank borrowings	**270,510**	-
Total borrowings	**298,789**	224,732

Due to the frequent re-pricing dates of the Group's loans, the fair value of current and non-current borrowings is approximate to their carrying amount.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	**2022** **£'000**	2021 £'000
UK Pound	**79,878**	65,198
Euro	**88,432**	18,277
Danish Kroner	**837**	1,118
Polish Zloty	**9,666**	5,384
Australian Dollar	**93,162**	106,903
New Zealand Dollar	**26,814**	27,852
	298,789	224,732

Bank borrowings are repayable in quarterly instalments from 2022 – 2027 with interest charged at SONIA (or equivalent benchmark rates) plus 1.95% - 2.10%. Bank borrowings are subject to joint and several guarantees from each active Group undertaking.

The Group has undrawn committed loan facilities of £106m (2021: £96.8m).

The undiscounted contractual maturity profile of the Group's borrowings is described in a note to the full financial statements.

Group net debt is analysed as per note 15.

14 Cash generated from operations

Group	2022 £'000	2021 £'000
Profit before income tax	**29,614**	47,398
Finance costs – net	**24,412**	16,034
Operating profit	**54,026**	63,432
Adjustments for non-cash items:		
Share of post tax profits of joint venture	**(1,235)**	(1,925)
Depreciation of property, plant and equipment	**46,985**	44,186
Depreciation of leased assets	**20,780**	18,427
Impairment of property, plant and equipment	**-**	6,377
Disposal of leased assets destroyed by fire	**-**	2,239
Gain on early settlement of Belgium lease liabilities	**-**	(2,183)
Amortisation of intangible assets	**9,974**	4,170
Gain on acquisition of Foods Connected Ltd (2022) / Dalco BV (2021)	**(2,701)**	(6,837)
Loss/(gain) on disposal of non-current assets	**-**	195
Adjustment in respect of employee share schemes	**(655)**	2,725
Changes in working capital:		
Inventories	**(23,741)**	(26,656)
Trade and other receivables	**(14,443)**	(23,116)
Trade and other payables	**9,322**	40,225
Cash generated from operations	**98,312**	121,259

The parent company has no operating cash flows.

15 Analysis and movement in net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Group	2022 £'000	2021 £'000
Cash and cash equivalents	**87,224**	140,170
Borrowings (including overdrafts)	**(298,789)**	(224,732)
Net bank debt	**(211,565)**	(84,562)
Lease liabilities	**(246,158)**	(243,396)
Net debt	**(457,723)**	(327,958)

Net debt reconciliation	Cash/other financial assets £'000	Borrowings (including overdrafts) £'000	Net bank debt £'000	Lease liabilities £'000	Net debt £'000
At 4 January 2021	123,816	(245,987)	(122,171)	(245,245)	(367,416)
Cash flows	19,750	79,819	99,569	6,588	106,157
Lease additions	-	-	-	(5,549)	(5,549)
Acquisition *	-	(10,328)	(10,328)	(12,397)	(22,725)
Repaid on acquisition *		8,504	8,504	-	8,504
New borrowings*	-	(65,237)	(65,237)	-	(65,237)
Exchange adjustments	(3,396)	8,497	5,101	10,652	15,753
Other changes	-	-	-	2,555	2,555
At 2 January 2022	140,170	(224,732)	(84,562)	(243,396)	(327,958)
Cash flows	**(54,576)**	**228,565**	**173,989**	**15,631**	**189,620**

Lease additions	**-**	**-**	**-**	**(5,835)**	**(5,835)**
Acquisition	**-**	**(56,938)**	**(56,938)**	**(3,214)**	**(60,152)**
Repaid on acquisition	**-**	**56,938**	**56,938**	**-**	**56,938**
New borrowings	**-**	**(295,790)**	**(295,790)**	**-**	**(295,790)**
Exchange adjustments	**1,630**	**(6,832)**	**(5,202)**	**(9,306)**	**(14,508)**
Other changes	**-**	**-**	**-**	**(38)**	**(38)**
At 3 January 2023	**87,224**	**(298,789)**	**(211,565)**	**(246,158)**	**(457,723)**

*** Restated**

16 Related party transactions and ultimate controlling party

The Directors do not consider there to be one ultimate controlling party. The companies noted below are all deemed to be related parties by way of common Directors.

Sales and purchases made on an arm's length basis on normal credit terms to related parties during the period were as follows:

Group	**2022**	2021
Sales	**£'000**	£'000
Sohi Meat Solutions Distribuicao de Carnes SA - fee for services	**3,190**	3,175
Sohi Meat Solutions Distribuicao de Carnes SA - recharge of joint venture costs	**409**	331
Dalco BV	-	438
Agito Holdings Limited	**464**	-

Group	**2022**	2021
Purchases	**£'000**	£'000
Agito Holdings Limited	**259**	-
Foods Connected Ltd	**-**	568

Amounts owing from related parties at the year end were as follows:

	Owed from related parties	
	2022	2021
Group	**£'000**	£'000
Foods Connected Ltd	**-**	4
Agito Holdings Limited	**464**	-
Sohi Meat Solutions Distribuicao de Carnes SA	**374**	561
	838	565

Amounts owing to related parties at the period end were as follows:

	Owed to related parties	
	2022	2021
Group	**£'000**	£'000
Foods Connected Ltd	**-**	127
Agito Holdings Limited	**259**	-
Sohi Meat Solutions Distribuicao de Carnes SA	**55**	9
	314	136

Transaction by Directors

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 £1,151,000 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.

17 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 uses these measures to assess business performance internally and therefore believe they provide useful additional information about the Group's performance and aids a more effective comparison of the Group's underlying 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.

52 weeks ended 1 January 2023	**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: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
Operating profit - excluding exceptional items	**65,922**	20,780	(23,815)	**62,887**	-	8,257	**71,144**
Exceptional items	**(11,896)**	-	-	**(11,896)**	11,896	-	**-**
Operating profit	**54,026**	20,780	(23,815)	**50,991**	11,896	8,257	**71,144**
Net finance costs	**(24,412)**	8,758	-	**(15,654)**	-	-	**(15,654)**
Profit before income tax	**29,614**	29,538	(23,815)	**35,337**	11,896	8,257	**55,490**
Profit for the period	**19,492**	28,215	(23,815)	**23,892**	11,751	6,370	**42,013**
Less non-controlling interest	**(1,786)**	(3)	-	**(1,789)**	-	-	**(1,789)**
Profit attributable to members of the parent	**17,706**	28,212	(23,815)	**22,103**	11,751	6,370	**40,224**
Depreciation and amortisation	**77,769**	(20,780)	-	**56,989**	-	(8,257)	**48,732**
EBITDA	**131,795**	-	(23,815)	**107,980**	11,896	-	**119,876**
Earnings per share	**pence**			**pence**			**pence**
Basic	**19.8**			**24.8**			**45.1**
Diluted	**19.7**			**24.6**			**44.7**

52 weeks ended 3 January 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: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
Operating profit - excluding exceptional items	**70,482**	18,214	(17,907)	**70,789**	-	2,778	**73,567**
Exceptional items	**(7,050)**	56	-	**(6,994)**	6,994	-	**-**
Operating profit	**63,432**	18,270	(17,907)	**63,795**	6,994	2,778	**73,567**
Net finance costs	**(16,034)**	8,498	-	**(7,536)**	1,131	-	**(6,405)**
Profit before income tax	**47,398**	26,768	(17,907)	**56,259**	8,125	2,778	**67,162**
Profit for the period	**39,282**	24,037	(17,907)	**45,412**	5,009	2,250	**52,671**

Less non-controlling interest	**(2,139)**	(7)	-	**(2,146)**	-	-	**(2,146)**
Profit attributable to members of the parent	**37,143**	24,030	(17,907)	**43,266**	5,009	2,250	**50,525**

Depreciation and amortisation	**75,596**	(20,489)	-	**55,107**	(6,377)	(2,778)	**45,952**
EBITDA	**139,028**	(2,219)	(17,907)	**118,902**	617	-	**119,519**

Earnings per share	**pence**	**pence**	**pence**
Basic	**45.0**	**52.5**	**61.3**
Diluted	**44.5**	**51.8**	**60.5**

The depreciation and amortisation figure includes £nil (2020: £1,197,000) amortisation of contract assets charged to revenue and adds back a loss on disposal of £195,000 (2020: gain £40,000).

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

52 weeks ended 1 January 2023	**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: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
Europe	**33,316**	8,669	(9,584)	**32,401**	9,014	8,257	**49,672**
APAC	**28,825**	12,111	(14,231)	**26,705**	-	-	**26,705**
Central costs	**(8,115)**	-	-	**(8,115)**	2,882	-	**(5,233)**
Total	**54,026**	20,780	(23,815)	**50,991**	11,896	8,257	**71,144**

52 weeks ended 2 January 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: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
Europe	**52,307**	6,393	(6,684)	**52,016**	6,994	2,778	**61,788**
APAC	**21,716**	11,877	(11,223)	**22,370**	-	-	**22,370**
Central costs	**(10,591)**	-	-	**(10,591)**	-	-	**(10,591)**
Total	**63,432**	18,270	(17,907)	**63,795**	6,994	2,778	**73,567**