

Norish plc

Interim results 2016

Results

Norish plc (AIM: NSH), is pleased to announce its interim results for the six months ended 30 June 2016.

Financial Highlights

- Total revenue increased to £15.6m (H1 2015: £11.8m).
- Revenue from commodity trading increased to £9.3m (H1 2015: £6.1m).
- Revenue from our continuing temperature controlled divisions increased to £6.3m (H1 2015: £5.7m)
- Gross profit increased to £0.8m (H1 2015: £0.6m).
- Operating profit increased to £0.49m (H1 2015: £0.38m).
- Net assets increased to £15.6m (H1 2015: £10.5m).
- Net debt reduced by £3.8m to £3.3m (H1 2015: £7.1m)

Operational Highlights

- The performance of the cold store division, overall, was ahead in the first half of 2016.
- The contribution of the commodity division, overall, was ahead in the first half of 2016.
- We invested £0.6m of the funds raised in December 2015 by the end of June 2016. We continue to invest in projects which provide short term payback and in the build out of our dairy business. During the period, we invested £0.3m in our temperature controlled division and another £0.3m in assembling the dairy herd. Within the cold store division, £0.1m was invested in increasing blast freezing capacity at Wrexham, with an additional £0.1m on a number of customer IT integrations.
- We have invested £0.3m in a 500 maiden heifer herd. We have signed two 17 year leases for a 355 acre dairy farming project in Kilkenny.

Operations

North West Division

The North West cold store division which comprises the freehold sites at Wrexham and Birmingham performed well in the first half of 2016. This was mainly as a result of growth in exports of pig meat to China.

China is the UK's biggest export market for fifth quarter pig meat. The current high priced pig meat market in China adds substantially to the value of a pig carcass. Exports of pig meat to China have increased more than fourfold since the UK started to export there in 2011. There are only three cold stores in the UK licensed for the export of pig meat to China. Norish plc owns two of them, located at Wrexham and Birmingham (Brierley Hill).

South East Division

The South East division, which comprises the sites at Bury St. Edmunds (freehold), Braintree (leasehold), Gillingham (long term leasehold at a peppercorn rent) and East Kent (leasehold) performed below the same period last year, reflecting the short term costs of preparing for a new longer term contracted customer. We also had a slow start to the year at our Bury site.

We are pursuing initiatives to improve both revenue and margin mix in this division. While it is early days, the sales initiatives undertaken, to date, look promising for 2017. In the short term, contribution in this division will be impacted by an ongoing refurbishment programme at the Bury St Edmunds site, which we expect to complete by November 2016.

Commodity Trading

Our commodity trading division which consists of Townview Foods Limited and Foro International Connections Limited contributed £0.2m for the period, up from £0.1m for the same period last year.

Town View Foods trades in protein products mainly beef, pork, lamb and chicken. Sales from pork and chicken increased by £2m during the period, while sales from beef and lamb increased by £1.2m. Townview Foods Limited generated a contribution of £0.3m for the period, against £0.1m for the same period last year, and sales of £8.7m, against £5.4m for the same period last year.

Foro International Connections accounted for £0.6m of the sales, unchanged from 2015. It incurred losses of £0.1m against a breakeven last year. Foro trades mainly in fish, dairy and FMCG.

We are continually investing in people to grow this division.

Dairy

We are currently converting two leased farms to our dairy farm subsidiary, Cantwellscourt Farm Ltd. Roadways are being installed, water has been laid on and fencing is being completed. Of the 500 maiden heifers assembled earlier in the year, 469 have been scanned in calf. We expect first milk in February 2017.

Discontinued

During 2015 the Group agreed the sale of the Leeds site for £0.4m net. The sale completed in March 2016. This site was not part of the future plans for the business. Losses in respect of this property are included in discontinued activities.

Financial Review

The Group has strengthened its balance sheet following the equity fund raising of £4.9m (net) in December 2015. Total equity at 30 June 2016 stood at £15.6m (H1 2015: £10.3m). The funds will be used to execute a number of investment opportunities. Net debt at 30 June 16 was £3.3m compared to £7.1 m at 30 June 2015.

Dividend

The board does not recommend the payment of an interim dividend, unchanged from last year.

Brexit

The United Kingdom voted to leave the EU on the 23rd of June, this year. As of now we have not seen any appreciable change to our business, as a result of that vote.

Outlook

Cold Storage Divisions

Since the beginning of the third quarter trading at one of our six sites was impacted by temporary difficulties at one of our main customer's processing plants. This issue was resolved during the second week of September and business volumes from this particular site have been returning to normal. The final quarter will see the benefit of the resolution of these difficulties. Overall, we are pursuing initiative to grow sales in 2017 (revenue and margin mix), while simultaneously focussing on our key cost overheads. We are cautiously optimistic for growth in 2017 in this division.

We are continuing to invest in our cold storage assets which we believe will lead to both reduced costs and increased productivity.

We expect the demand for cold storage in the UK to grow, post Brexit, as cheaper proteins are imported into the UK, from other countries, further afield.

We are happy with both the quality and locations of our assets, and the opportunities we see in the market place to grow the business.

Commodity Trading

We are very pleased with the growth in the business of Town View Foods in the first half of the year. This momentum has continued into the second half. We see an opportunity to grow this business, both organically and by acquisition, to further enhance the development of this business.

Dairy

We are satisfied with the progress we have made with this new venture, to date.

FINANCIAL REVIEW

The improved financial performance in 2016 has come about from both the temperature controlled division and commodity division.

Sales

Total Group revenue increased by 32% to £15.6m (H1 2015: £11.8m). Temperature controlled revenues increased by 11% to £6.3m (H1 2015: £5.7m). Revenues were up mainly as a result of an increase in blast freezing volumes. Revenues in the commodity division increased by 52% to £9.3m (H1 2015: £6.1m). Town View Foods mainly accounted for the increased sales.

Gross profits

Gross profit increased by 33% to £0.8m (H1 2015: £0.6m). The increase in gross profit was generated equally between the two main divisions.

Operating profit

Operating profit increased by 29% to £0.49m (H1 2015: £0.38m), reflecting the increase in gross profit.

Finance expense (net)

Finance expense remained unchanged at £0.1m.

Loss from discontinued operations

As part of the Group's strategy to exit the ambient sector we recorded a trading loss of £0.04m (H1 2015: £0.03m). The loss relates solely to the property at Leeds.

Earnings per share

The basic earnings per share fell to 1p (H1 2015:1.1p). Additional shares of 11,427,317 were issued in December 2015 as part of the equity fund raise.

Capital

During the period we invested £0.3m (H1 2015: £0.3m) in routine capital expenditure in the temperature controlled division.

An investment of £0.3m was made in a dairy herd.

Cash Position

Net debt reduced by 54% to £3.3m (H1 2015: £7.1m). Operating activities generated £0.8m (H1 2015: £0.5m) and financing activities absorbed £1.2m (H1 2015: £0.2m). A net investment in assets was made of £0.6m (H1 2015: £0.3m).

Dividend

The board does not recommend the payment of an interim dividend, unchanged from last year.

Norish plc
Consolidated income statement
For the six months ended 30 June 2016

	Six months ended 30 June 2016 (Unaudited) £'000	Six months ended 30 June 2015 (Unaudited) £'000	Year ended 31 December 2015 (Audited) £'000
Continuing operations			
Revenue	15,555	11,814	27,515
Cost of sales	(14,744)	(11,214)	(26,232)
Gross profit	811	600	1,283
Administrative expenses	(325)	(217)	(447)
Operating profit from continuing operations	486	383	836
Finance expenses - interest paid	(121)	(132)	(272)
Finance expenses - fair value gain/(loss) swaps/caps	3	18	26
Finance expenses – notional interest	(18)	(24)	(33)
Profit on continuing activities before taxation	350	245	557
Tax on profit on ordinary activities	(75)	(54)	(48)
Profit for the period attributable to owners of the parent from continuing operations	275	191	509
Loss from discontinued activities	(40)	(29)	(220)
Profit for the period	235	162	289
Other comprehensive income	-	-	-
Total comprehensive income for the year	235	162	289
Profit for the period attributable to owners of parent	243	164	291
Total comprehensive expense for the period attributable to non-controlling interest	(8)	(2)	(2)
Earnings per share expressed in pence per share:			
From continuing operations			
- basic	1.0p	1.1p	2.8p
- diluted	1.0p	1.1p	2.8p
From discontinued operations			
- basic	(0.2)p	(0.2)p	(1.2)p
- diluted	(0.2)p	(0.2)p	(1.2)p
Weighted average number of diluted ordinary shares	28,890,514	17,106,376	17,842,013

Norish plc
Interim balance sheet
As at 30 June 2016

	As at 30 June 2016 (Unaudited) £'000	As at 30 June 2015 (Unaudited) £'000	As at 31 December 2015 (Audited) £'000
ASSETS			
Non-current assets			
Goodwill	2,338	2,338	2,338
Biological assets	345	-	-
Property, plant and equipment	15,847	16,033	15,885
	18,530	18,371	18,223
Current assets			
Trade and other receivables	5,642	4,220	5,314
Inventories	227	108	386
Cash and cash equivalents	3,196	129	4,383
Assets of disposal group classified as held for sale	125	659	518
	9,190	5,116	10,601
TOTAL ASSETS	27,720	23,487	28,824
Equity attributable to equity holders of the parent And non-controlling interest			
Share capital	5,616	3,280	5,344
Share premium account	7,281	4,198	6,990
Other reserves	(540)	23	23
Retained earnings	3,224	3,042	2,981
Equity attributable to equity holders of the parent	15,581	10,543	15,338
Non-controlling Interest	(19)	(11)	(11)
TOTAL EQUITY	15,562	10,532	15,327
Non-current liabilities			
Borrowings	3,312	4,592	4,123
Financial Liabilities at fair value through profit or loss	183	398	199
Provisions	-	-	-
Deferred tax	945	954	942
	4,440	5,944	5,264
Current liabilities			
Trade and other payables	4,208	3,967	4,348
Financial Liabilities at fair value through profit or loss	248	181	311
Current tax liabilities	103	133	44
Borrowings	3,159	2,681	3,473
Borrowings of disposal group classified as held for sale	-	-	-
Liabilities of disposal group classified as held for sale	-	49	57
	7,718	7,011	8,233
TOTAL EQUITY AND LIABILITIES	27,720	23,487	28,824

Norish plc
Consolidated statement of changes in
equity
For the six months ended 30 June 2016

	Share capital (Unaudited) £'000	Share premium (Unaudited) £'000	Other Reserves (Unaudited) £'000	Retained Earnings (Unaudited) £'000	Total (Unaudited) £'000	Non- Controlling Interest (Unaudited) £'000	Total (Unaudited) £'000
At 1 January 2015	3,280	4,198	23	2,878	10,379	(9)	10,370
Net profit for the period	-	-	-	164	164	(2)	162
Issue of share capital	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-	-	-	-	-
At 30 June 2015	<u>3,280</u>	<u>4,198</u>	<u>23</u>	<u>3,042</u>	<u>10,543</u>	<u>(11)</u>	<u>10,532</u>
Net loss for the period	-	-	-	127	127	-	127
Issue of share capital	2,064	3,078	-	-	5,142	-	5,142
Share issue costs	-	(286)	-	-	(286)	-	(286)
Equity dividends paid (recognised directly in equity)	-	-	-	(188)	(188)	-	(188)
At 31 December 2015	<u>5,344</u>	<u>6,990</u>	<u>23</u>	<u>2,981</u>	<u>15,338</u>	<u>(11)</u>	<u>15,327</u>
Net profit for the period	-	-	-	243	243	(8)	235
Issue of share capital	272	291	-	-	563	-	563
Treasury shares	-	-	(563)	-	(563)	-	(563)
Equity dividends paid (recognised directly in equity)	-	-	-	-	-	-	-
At 30 June 2016	<u>5,616</u>	<u>7,281</u>	<u>(540)</u>	<u>3,224</u>	<u>15,581</u>	<u>(19)</u>	<u>15,562</u>

Norish plc
Consolidated cash flow statement
For the six months ended 30 June 2016

	Six months Ended 30 June 2016 (Unaudited) £'000	Six months ended 30 June 2015 (Unaudited) £'000	Year Ended 31 December 2015 (Audited) £'000
Profit on continuing activities before taxation	350	245	557
Loss on discontinued activities	(40)	(29)	(220)
Finance expenses	139	156	305
Finance income	(3)	(18)	(26)
Depreciation – property, plant and equipment	318	302	615
	764	656	1,231
Changes in working capital:			
Decrease/(increase) in inventories	159	(56)	(334)
Decrease/(increase) in trade and other receivables	65	(367)	(1,320)
Decrease in current liabilities held for sale	(57)	(433)	(418)
(Decrease)/increase in payables	(140)	655	1,029
Cash generated from operations	791	455	188
Interest paid - bank loans and overdrafts	(121)	(132)	(272)
Taxation paid	(13)	-	(95)
Net cash from operating activities	657	323	(179)
Investing activities			
Purchase of biological assets	(345)	-	-
Purchase of property, plant and equipment	(280)	(337)	(502)
Net cash used in investing activities	(625)	(337)	(502)
Financing activities			
Dividends paid to shareholders	-	-	(188)
Deferred consideration payments	(94)	(115)	(185)
Share issue proceeds	-	-	5,142
Share issue costs	-	-	(286)
Invoice finance (payments)/receipts	(64)	336	1,141
Overdraft receipts	-	-	-
Finance lease capital repayments	(66)	(60)	(124)
Term loan repayments	(995)	(403)	(821)
Net cash used in financing activities	(1,219)	(242)	4,679
Net (decrease)/increase in cash and cash equivalents	(1,187)	(256)	3,998
Cash and cash equivalents, at beginning of period	4,383	385	385
Cash and cash equivalents end of period	3,196	129	4,383

Note: The accounting policies applied throughout the period are consistent with those applied for the year ended 31 December 2015, as set out in the 2015 Annual Report.

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