

Norish plc
Interim results 2018
Results

Norish plc (AIM: NSH), is pleased to announce its interim results for the six months ended 30 June 2018.

Financial Highlights

- Fully diluted adjusted EPS ahead by 16%, year on year, from 1.9p to 2.2p
- Balance sheet in excellent shape. Net debt reduced from Stg £5.4m at Dec 17 to Stg £5m at June 2018.
- Interest cover at 10.9 times, up from 7.2 times last year
- Operating profit ahead by 15%, from Stg £ 0.83m to Stg £0.95m
- Profit before tax ahead by 21%, from Stg£0.71m to Stg£0.86m

Operational Highlights

Cold Store division

Cold Stores are our largest business activity, accounting for circa 86% of the non-current assets in the business. This division saw operating profits grow by 17% in the first six months of the year, from Stg £1m to Stg £1.2m. Divisional operating margins expanded from 14.3% to 17.7%, year on year.

Within the cold store division, sales at a headline level were down 4%, from £7m to £6.7m. We experienced lower blast freezing activity, reflecting a down cycle in the pork market, particularly to China. As a consequence, the first half was characterised by a greater percentage of lower remunerative storage type business, within the overall sales mix. Occupancy increased from 90% in the first half of 2017, to 92% in the first half of 2018.

Costs in the cold store division were significantly reduced; labour (our largest cost) was down 6%, year on year while power expense (our second largest cost) was reduced by 16%, against the same period last year. Labour and power combined were lowered by 10% or Stg £0.3m. Power units consumed were lower by 12%. This reflects the aforementioned reduction in blast freezing activity, together with benefits coming through from the implementation of energy saving initiatives.

Within the division, the South East business performed particularly well, with sales ahead by 6%, year on year, to Stg £3.4m and contribution ahead by 32%, year on year. The North West business saw sales reduce by 14% to stg £3.3m and contribution by 2%, reflecting specific customer issues together with the down cycle in the pork export market.

Sourcing Division

Sales at our sourcing division fell by 13% in the first half of 2018, compared with the same period in 2017, from £11.5m to £9.7m. Contribution declined by a corresponding 14%, year on year, from £0.32m to £0.3m. A reduction in protein supply has impacted the results. Town View Foods sources protein products mainly beef, pork, lamb and chicken. Sales from pork and chicken decreased by £1m during the period, while sales from beef and lamb decreased by £0.7m.

Town View Foods, the largest business within the Sourcing division, has repaid its investment within five years of its acquisition. A new deal has been agreed with management to cover an additional five year period.

Dairy Division

In our dairy business, we continue to make progress. At Cantwellscourt Farm, milk production was 3.2%, ahead year on year, despite a late start to the grazing season and lower than normal grass growth, later in the period, arising from the onset of drought conditions. Encouragingly, in the context of a difficult period, our operating costs declined 16% year on year, as we continue to focus on improving operating performance.

We are reinvesting the cash from our farming business into rearing replacements with circa 400 heifers coming into production over the next two years.

Discontinued

During the period the group decided to exit the Juice business for the ready to drinks market. A loss of £0.29m was incurred, compared to £0.07m last year.

Outlook

The Temperature Controlled market would appear to be operating close to capacity, as we head into the seasonally important final months of the year. Increasing demand could well be a driver for improving rates in relation to the services we provide. A lack of investment in new capacity over a long number of years, together with regulation forcing older plants to shut down and market displacement due to Brexit related issues, have all combined to tighten available cold storage capacity.

Our cold store business continues to focus on improving revenue and by reducing our operating costs. The second half should see further benefits from initiatives undertaken in the latter half of 2017 and the first half of 2018. We expect to make further progress in our cold store business over the remainder of 2018 and into 2019.

Our cold store assets are well invested. It is worth noting that of the 408,000 sq foot of temperature-controlled facilities which we operate (on 30 acres), we actually own circa 328,000 sq foot (on 25 acres). This gives us flexibility to work with our customers in order to meet their needs in this evolving temperature controlled marketplace. To date, it would appear that Brexit, if anything, has been positive for our cold store business. The concern with possible disruption towards the end of March 2019, should see further demand for frozen and ambient space in the short term. Longer

term, supply lines will likely change for some protein sources underpinning the need for greater traceability and existing cold storage capacity within the food chain. Increasingly cold stores are being viewed as integral to the traceability requirements of the marketplace.

Within the sourcing division we have recently added fish to our protein supply and are implementing other initiatives to get back on a growth trajectory.

In the dairy business, drought has impacted pasture growth over the summer months, with less than 25% of normal rainfall in the main growing period of May to August. Thankfully we have not had to use any of our winter reserves, harvested earlier in 2018. We have sown forage crops to augment our winter feed requirements. We expect the operating performance in the second half to show continued improvement, year on year, following on a similar trend to the first half of 2018.

Elsewhere, we are at the early stages of an exciting collaboration with a successful large-scale dairy farming business that will leverage our collective resources to develop a differentiated business model with significant potential for value creation in the coming years.

Over the past number of years, the Group's decision to invest significantly in both cold storage assets, and protein sourcing businesses, has proved to be the correct strategy. This strategy, combined with the investment in a highly motivated executive management team, which has brought a new energy and dynamic to the business, leaves the Group very well placed, for further growth and development, in the years ahead.

Dividend

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

The final dividend of 1.65€cent per share announced earlier in the year will be paid on 19 October 2018 to those shareholders on the register on the 28 September 2018.

Norish plc
Consolidated income statement
For the six months ended 30 June 2018

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)	Year ended 31 December 2017 (Audited)
	£'000	£'000	£'000
Continuing operations			
Revenue	18,454	20,545	42,012
Cost of sales	(17,145)	(19,351)	(39,160)
Gross profit	1,309	1,194	2,852
Other income	24	49	66
Deferred Consideration	-	-	(100)
Administrative expenses	(383)	(414)	(889)
Operating profit from continuing operations	950	829	1,929
Finance income- fair value gain on swaps	-	10	10
Finance income - interest receivable	-	-	1
Finance expenses – interest paid	(87)	(113)	(201)
Finance expenses – notional interest	-	(12)	(13)
Profit on continuing activities before taxation	863	714	1,726
Income taxes – Corporation tax	(216)	(141)	(413)
Income taxes – Deferred tax	-	-	(28)
Profit for the period attributable to owners of the parent from continuing operations	647	573	1,285
Loss from discontinued activities	(289)	(75)	(292)
Profit for the period	358	498	993
Other comprehensive income	-	-	-
Total comprehensive income for the year	358	498	993
Profit for the period attributable to owners of parent	358	514	993
Loss for the financial year attributable to non-controlling interest	-	(16)	-
Earnings per share expressed in pence per share:			
From continuing operations			
- basic	2.2p	1.9p	4.4p
- diluted	2.2p	1.9p	4.4p
From discontinued operations			
- basic	(1.0)p	(0.2)p	(1.0)p
- diluted	(1.0)p	(0.2)p	(1.0)p

Norish plc
Interim balance sheet
As at 30 June 2018

	As at 30 June 2018 (Unaudited) £'000	As at 30 June 2017 (Unaudited) £'000	As at 31 December 2017 (Audited) £'000
ASSETS			
Non-current assets			
Goodwill	2,338	2,338	2,338
Intangible assets	54	147	141
Biological assets	658	618	624
Property, plant and equipment	18,046	17,449	17,759
	21,096	20,552	20,862
Current assets			
Trade and other receivables	6,721	7,327	7,537
Inventories	480	505	709
Cash and cash equivalents	1,167	1,279	1,558
Assets of disposal group classified as held for sale	363	284	279
	8,731	9,395	10,083
	29,827	29,947	30,945
TOTAL ASSETS			
Equity attributable to equity holders of the parent And non-controlling interest			
Share capital	5,640	5,616	5,616
Share premium account	7,321	7,281	7,281
Other reserves	103	23	103
Treasury shares	(563)	(563)	(563)
Retained earnings	3,874	3,440	3,516
Equity attributable to equity holders of the parent	16,375	15,797	15,953
Non-controlling Interest	-	(38)	-
TOTAL EQUITY	16,375	15,759	15,953
Non-current liabilities			
Borrowings	2,159	2,485	2,390
Financial Liabilities at fair value through profit or loss	-	-	-
Deferred tax	953	925	953
	3,112	3,410	3,343
Current liabilities			
Trade and other payables	5,699	6,067	6,680
Financial Liabilities at fair value through profit or loss	-	167	29
Current tax liabilities	583	346	367
Borrowings	3,995	4,192	4,555
Liabilities of disposal group classified as held for sale	63	6	18
	10,340	10,778	11,649
	29,827	29,947	30,945
TOTAL EQUITY AND LIABILITIES	29,827	29,947	30,945

Norish plc
Consolidated statement of changes in equity
For the six months ended 30 June 2018

	Share capital £'000	Share premium £'000	Other Reserves £'000	Treasury shares £'000	Retained earnings £'000	Total £'000	Non- Controlling interest £'000	Total Equity £'000
At 1 January 2017	5,616	7,281	23	(563)	2,926	15,283	(22)	15,261
Net profit/(loss) for the financial year	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	514	514	(16)	498
Issue of share capital	-	-	-	-	-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-	-	-	-	-	-
Treasury shares acquired	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	514	514	(16)	498
At 30 June 2017	5,616	7,281	23	(563)	3,440	15,797	(38)	15,759
Net profit/(loss) for the financial period	-	-	-	-	479	479	16	495
Total comprehensive income for the period	-	-	-	-	479	479	16	495
Issue of share capital	-	-	-	-	-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-	-	(381)	(381)	-	(381)
Foreign Exchange gain	-	-	80	-	-	80	-	80
Minority Interest acquired	-	-	-	-	(22)	(22)	22	-
Transactions with owners	-	-	80	-	76	156	22	194
At 31 December 2017	5,616	7,281	103	(563)	3,516	15,953	-	15,953
Net profit/(loss) for the financial period	-	-	-	-	358	358	-	358
Total comprehensive income for the period	-	-	-	-	358	358	-	358
Issue of share capital	24	40	-	-	-	64	-	64
Equity dividends paid (recognised directly in equity)	-	-	-	-	-	-	-	-
Foreign Exchange gain	-	-	-	-	-	-	-	-
Minority Interest acquired	-	-	-	-	-	-	-	-
Transactions with owners	24	40	-	-	358	422	-	422
At 30 June 2018	5,640	7,321	103	(563)	3,874	16,375	-	16,375

Norish plc
Consolidated cash flow statement
For the six months ended 30 June 2018

	Six months Ended 30 June 2018 (Unaudited) £'000	Six months ended 30 June 2017 (Unaudited) £'000	Year Ended 31 December 2017 (Audited) £'000
Profit on continuing activities before taxation	863	714	1,726
Gain on biological assets	(24)	(49)	(66)
Amortisation of intangible assets	141	-	6
Foreign exchange gain	-	-	63
Loss on discontinued activities	(289)	(75)	(292)
Deferred Consideration	-	-	100
Finance expenses	87	125	214
Finance income	-	(10)	(11)
Depreciation – property, plant and equipment	400	360	709
	1,178	1,066	2,449
Changes in working capital:			
Decrease /(increase) in inventories	229	(22)	(226)
Decrease/(increase) in trade and other receivables	732	(649)	(854)
Increase/(decrease) in current liabilities held for sale	45	(1)	11
(Decrease)/increase in payables	(981)	983	1,598
Cash generated from operations	1,203	1,377	2,978
Interest paid	(87)	(113)	(201)
Interest received	-	-	1
Taxation paid	-	-	(251)
Net cash from operating activities	1,116	1,264	2,527
Investing activities			
Investment in intangible assets	(54)	(82)	(82)
Purchase of biological assets	-	(29)	(19)
Purchase of property, plant and equipment	(687)	(1,175)	(1,816)
Net cash used in investing activities	(741)	(1,286)	(1,917)
Financing activities			
Dividends paid to shareholders	-	-	(381)
Deferred consideration payments	(29)	(133)	(372)
Share issue proceeds	64	-	-
Invoice finance (payments)/receipts	(325)	(74)	487
Overdraft receipts	-	-	(94)
Finance lease capital repayments	(81)	(118)	(189)
Finance lease advance	-	-	24
Term loan advance	-	-	266
Term loan repayments	(395)	(418)	(837)
Net cash used in financing activities	(766)	(743)	(1,096)
Net decrease in cash and cash equivalents	(391)	(765)	(486)
Cash and cash equivalents, at beginning of period	1,558	2,044	2,044

Cash and cash equivalents end of period1,1671,2791,558

Note: The accounting policies applied throughout the period are consistent with those applied for the year ended 31 December 2017, as set out in the 2017 Annual Report.

Enquiries:

Norish

Aidan Hughes, Finance Director

Telephone: + 44 1293 862 498

Davy

Anthony Farrell

Telephone: + 353 1 679 6363