

Norish plc

Interim results 2017

Results

Norish plc (AIM: NSH), is pleased to announce its interim results for the six months ended 30 June 2017.

Financial Highlights

- Total revenue increased by 31% to £20.5m (H1 2016: £15.6m)
- Revenue from the Cold Store division increased by 11.8% to £7.045m (H1 2016: £6.3m)
- Revenue from the Protein Trading business increased by 34% to £11.5m (H1 2016: £8.6m)
- Operating profit increased by 55% to £0.76m (H1 2016: £0.49m)
- Profit before tax increased by 85% to £0.65m (H1 2016 : £0.35m)
- Diluted adjusted Eps increased by 70% to 1.7p (HI 2016 : 1p)
- Net debt was higher at £5.4m (H1 2016: £3.3m)

Operational Highlights

- Cold stores comprise, by far, the greatest proportion of our Plant, Property and equipment, in excess of 91% at end June 2017. This division recorded sales growth of 11.8%, when compared with the same period in the prior year. Contribution increased by 65% on the same period in the prior year.
- The growth in sales and contribution was relatively evenly spread across both the North West and South East cold store divisions. Costs increased by 6% in the period under review, reflecting growth in energy and labour costs. These costs are constantly under review.
- The contribution of the protein trading business, Town View Foods, was also ahead of the comparable period in the prior year, with sales growth of 33% and contribution ahead by 13%.
- Our start-up businesses, including dairy and Foro International Connections Limited generated a loss of £0.2m in the first half. We expect these losses to be significantly reduced by year end and these businesses to be profitable in 2018.

Operations

Cold Store Division

The North West cold store division which comprises the freehold sites at Wrexham and Birmingham performed well in the first half of 2017, reflecting a combination of increased intakes, greater blast freezing volumes, improved pricing and tight control on costs. Sales increased by 9.9% year on year.

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 substantially ahead of the same period last year. There was an increase in profitability at the Bury site, compared to last year, which helped overall divisional performance. Sales in the South East increased by 11.9%, reflecting higher intakes and greater blast freezing volumes.

Protein Trading

Our protein trading division which consists of Town View Foods Limited accounted for sales of £11.5m, against £8.6m last year. It contributed £0.32m for the period, up from £0.29m 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 £1.9m during the period, while sales from beef and lamb increased by £1m.

Dairy

The dairy division continues to make progress as we near the end of the capital investment phase in the business - we now have a high quality leased asset which should deliver attractive returns on capital. We run a low-cost grass-based system based on seasonal block calving, and as such our costs are heavily weighted toward the first half of the year. This impacts on first half/second half profitability split, with revenues more evenly spread throughout the year. We also incurred some once off start-up costs during the commissioning phase of our facilities but we are now operating more efficiently. Our asset utilization and operational efficiency will continue to improve as we build our dairy herd at Cantwells court Farm, through 2018.

Capital

During the period we invested £1.2m (2016: £0.3m), £1m in the dairy farm in Kilkenny and £0.2m in routine capital expenditure in the temperature controlled division.

Outlook

Trading since July 1st continues to be robust for the group as a whole.

Within the British Cold Store industry, three new licences for store product destined for China have been issued in recent weeks to other companies operating in our sector. This may result in the loss of a customer (s) but we are satisfied that any vacated space will be filled quickly, with other remunerative work. As has been the case in the UK Food Manufacturing sector, investment in new cold store capacity is rare and when it happens tends to be dedicated to a specific customer, with a long term contract in place. While it is difficult to assess overall industry capacity, anecdotal evidence suggests cold store capacity is declining as older assets become obsolete. Our assets are well invested and should benefit from any further capacity reductions in that part of the supply chain, relevant to our business.

Town View Foods continues to deliver strong results, from a more diversified products mix.

Demand for dairy products continues to grow globally. Ireland is exceptionally well placed to benefit from this growth. Our major exporting competitors, with the exception of the US are unlikely to increase dairy output much in the next few years. Ireland's milk suppliers are very competitive when compared with other suppliers globally and expansion continues apace. We believe our milk business will see opportunities for growth in dairy technology, dairy breeding as well as dairy production in the years ahead.

The guidance for 2017 is increased from the previous range of 2.75p to 3p to a new range of 3.2p to 3.5p (fully diluted adjusted eps).

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 2017

	Six months ended 30 June 2017 (Unaudited) £'000	Six months ended 30 June 2016 (Unaudited) £'000	Year ended 31 December 2016 (Audited) £'000
Continuing operations			
Revenue	20,545	15,555	32,098
Cost of sales	(19,416)	(14,744)	(30,757)
Gross profit	1,129	811	1,341
Other income	49	-	238
Administrative expenses	(414)	(325)	(707)
Operating profit from continuing operations	764	486	872
Finance income- fair value gain on swaps	10	3	20
Finance income - interest receivable	-	-	10
Finance expenses – interest paid	(113)	(121)	(240)
Finance expenses – notional interest	(12)	(18)	(29)
Profit on continuing activities before taxation	649	350	633
Income taxes – Corporation tax	(141)	(75)	(210)
Income taxes – Deferred tax			18
Profit for the period attributable to owners of the parent from continuing operations	508	275	441
Loss from discontinued activities	(9)	(40)	(161)
Profit for the period	498	235	280
Other comprehensive income	-	-	-
Total comprehensive income for the year	498	235	280
Profit for the period attributable to owners of parent	514	243	291
Loss for the financial year attributable to non-controlling interest	(16)	(8)	(11)
Earnings per share expressed in pence per share:			
From continuing operations			
- basic	1.7p	1.0p	1.5p
- diluted	1.7p	1.0p	1.5p
From discontinued operations			
- basic	(0)p	(0.2)p	(1.2)p
- diluted	(0)p	(0.2)p	(1.2)p

Norish plc
Interim balance sheet
As at 30 June 2017

	As at 30 June 2017 (Unaudited) £'000	As at 30 June 2016 (Unaudited) £'000	As at 31 December 2016 (Audited) £'000
ASSETS			
Non-current assets			
Goodwill	2,485	2,338	2,403
Biological assets	618	345	540
Property, plant and equipment	17,449	15,847	16,635
	20,552	18,530	19,578
Current assets			
Trade and other receivables	7,327	5,642	6,264
Inventories	505	227	483
Cash and cash equivalents	1,279	3,196	2,044
Assets of disposal group classified as held for sale	284	125	698
	9,395	9,190	9,489
TOTAL ASSETS	29,947	27,720	29,067
Equity attributable to equity holders of the parent And non-controlling interest			
Share capital	5,616	5,616	5,616
Share premium account	7,281	7,281	7,281
Capital conversion reserve fund	23	23	23
Treasury shares	(563)	(563)	(563)
Retained earnings	3,440	3,224	2,926
Equity attributable to equity holders of the parent	15,797	15,581	15,283
Non-controlling Interest	(38)	(19)	(22)
TOTAL EQUITY	15,759	15,562	15,261
Non-current liabilities			
Borrowings	2,485	3,312	3,006
Financial Liabilities at fair value through profit or loss	-	183	44
Deferred tax	925	945	925
	3,410	4,440	3,975
Current liabilities			
Trade and other payables	6,067	4,208	5,082
Financial Liabilities at fair value through profit or loss	167	248	255
Current tax liabilities	346	103	205
Borrowings	4,192	3,159	4,282
Liabilities of disposal group classified as held for sale	6	-	7
	10,778	7,718	9,831
TOTAL EQUITY AND LIABILITIES	29,947	27,720	29,067

Norish plc
Consolidated statement of changes in
equity
For the six months ended 30 June 2017

	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 2016	5,344	6,990	23	2,981	15,338	(11)	15,327
Net profit for the period	-	-	-	243	243	(8)	235
Issue of share capital	272	291	-	-	563	-	563
Share issue costs	-	-	(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>
Net loss for the period	-	-	-	48	48	(3)	45
Issue of share capital	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-	(346)	(346)	-	(346)
At 31 December 2016	<u>5,616</u>	<u>7,281</u>	<u>(540)</u>	<u>2,926</u>	<u>15,283</u>	<u>(22)</u>	<u>15,261</u>
Net profit for the period	-	-	-	514	514	(16)	498
Issue of share capital	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-	-	-	-	-
At 30 June 2017	<u>5,616</u>	<u>7,281</u>	<u>(540)</u>	<u>3,440</u>	<u>15,797</u>	<u>(38)</u>	<u>15,759</u>

Norish plc
Consolidated cash flow statement
For the six months ended 30 June 2017

	Six months Ended 30 June 2017 (Unaudited) £'000	Six months ended 30 June 2016 (Unaudited) £'000	Year Ended 31 December 2016 (Audited) £'000
Profit on continuing activities before taxation	649	350	633
Gain on biological assets	(49)	-	(238)
Loss on discontinued activities	(9)	(40)	(161)
Finance expenses	125	139	269
Finance income	(10)	(3)	(30)
Depreciation – property, plant and equipment	360	318	625
	1,066	764	1,098
Changes in working capital:			
(Increase)/decrease in inventories	(22)	159	(97)
(Increase)/decrease in trade and other receivables	(649)	65	(1,130)
Decrease in current liabilities held for sale	(1)	(57)	(200)
Increase/(decrease) in payables	983	(140)	885
Cash generated from operations	1,377	791	556
Interest paid	(113)	(121)	(240)
Interest received	-	-	10
Taxation paid	-	(13)	(49)
Net cash from operating activities	1,264	657	277
Investing activities			
Investment in intangible assets	(82)	-	(65)
Purchase of biological assets	(29)	(345)	(302)
Purchase of property, plant and equipment	(1,175)	(280)	(1,375)
Net cash used in investing activities	(1,286)	(625)	(1,742)
Financing activities			
Dividends paid to shareholders	-	-	(346)
Deferred consideration payments	(133)	(94)	(220)
Share issue proceeds	-	-	-
Share issue costs	-	-	-
Invoice finance (payments)/receipts	(74)	(64)	747
Overdraft receipts	-	-	-
Finance lease capital repayments	(118)	(66)	(152)
Finance lease advance	-	-	219
Term loan repayments	(418)	(995)	(1,122)
Net cash used in financing activities	(743)	(1,219)	(874)
Net decrease in cash and cash equivalents	(765)	(1,187)	(2,339)
Cash and cash equivalents, at beginning of period	2,044	4,383	4,383
Cash and cash equivalents end of period	1,279	3,196	2,044

Note: The accounting policies applied throughout the period are consistent with those applied for the year ended 31 December 2016, as set out in the 2016 Annual Report.

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