

## **Norish plc**

### **Preliminary results 2016**

#### **Results**

Norish plc (AIM: NSH), is pleased to announce its preliminary results for the year ended 31 December 2016.

#### **Financial Highlights**

- Total revenue increased by 27.9% to £32.1m (2015: £25.1m).
- Revenue from commodity trading increased by 46.6% to £19.5m (2015: £13.3m).
- Revenue from our continuing temperature controlled divisions increased by 6.8% to £12.6m (2015: £11.8m).
- Operating profit increased by 3.6% to £0.87m (2015: £0.84m).
- Net assets unchanged at £15.3m (2015: £15.3m).
- Net debt increased to £5.2m (2015: £3.2m).

#### **Operational Highlights**

- The performance of the cold store division was ahead of 2015 by 9.4%
- The performance of the commodity division was ahead of 2015 by 48%
- We invested £1.7m of the funds raised in December 2015 by the end of December 2016. We invested £0.8m in our temperature controlled division, £0.6m in dairy infrastructure along with £0.3m in the herd for the dairy farm in Kilkenny
- We continue to invest in projects which provide short term payback and in the build out of our dairy business.

#### North West Division

The North West cold store division which comprises the freehold sites at Wrexham and Birmingham performed well in 2016. This was mainly as a result of a buoyant market in China for most of 2016.

China is the U.K.'s biggest export market for fifth quarter pig meat. Exports of pig meat to China have increased more than fourfold since the UK started to export there in 2011. Two of the three licensed cold stores in the U.K. are the Norish plc owned properties at Wrexham, North Wales and Brierley Hill, Birmingham.

#### 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. Contribution was mainly impacted by a refurbishment programme at the Bury St Edmunds site, which we completed in December 2016.

#### Commodity Trading

Our commodity trading division which consists of Townview Foods Limited and Foro International Connections Limited ("Foro") contributed £0.5m for the period, up from £0.4m for the same period last year.

Townview Foods Limited trades in protein products, mainly beef, pork, lamb and chicken. Sales from pork increased by £3m during the year, sales from beef increased by £1.9m, and sales from lamb increased by

£0.6m. Townview Foods Limited generated a contribution of £0.6m for the period, against £0.4m for the same period last year, and sales of £18.5m, against £12.3m for the same period last year.

Foro accounted for £1m of the sales, unchanged from 2015. Foro broke even, unchanged from last year. Foro trades mainly in fish, dairy and its currently developing a product to sell to the ready to drinks market.

We are continually investing in people to grow this division.

### Dairy

Our low cost grass based dairy farm was successfully converted from a tillage/suckler farm in the second half of 2016.

### 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.

During 2016, Foro discontinued trading in the FMCG market due to high working capital requirements, currency fluctuations, and unacceptable margins. The 2015 comparative figures have been adjusted to reflect the reclassification.

### **Outlook**

2016 was a year of considerable progress for the group. Commercial decisions made in previous years, combined with a new, focused, management approach and a strengthening of the Group's Balance Sheet, has ensured that Norish is now in a position to develop its business in ways that were previously unavailable to the group.

We have been very encouraged by the excellent start made in the first two months of 2017 by our two main Trading Divisions - Temperature Controlled Storage and Protein Trading (Town View Foods).

The dairy division is in the early stages of developing its business model and is putting in place an experienced senior executive team to manage and grow this business.

Through our subsidiary, Foro International Connections Limited, we are developing retail and food service markets, both in Ireland and the U.K. in conjunction with three significant European manufacturers of fruit drinks, health smoothies and RTD (ready to drink) coffee. This development fits in well with our existing U.K. cold store locations.

At this juncture, our cold stores comprise the greatest proportion of our property, plant and equipment (97%). The cold store division also represents the most immediate opportunity to improve profitability and returns for the group, something the Board is acutely aware of. Through active management of our cold store division, we are looking at every facet of our cost base, implementing changes and building an ever better, more balanced, more diversified business.

At this juncture we consider it appropriate to increase guidance for 2017 to a range of 2.75p to 3p (fully diluted adjusted eps).

## **Financial Review**

Total equity at 31 December 2016 stood at £15.3m (2015: £15.3m). Net debt at 31 December 2016 was £5.2m compared to £3.2m at 31 December 2015.

## **Dividend**

The board recommends the payment of a final dividend of 1.50 €cent per share. This will be paid on 20 October 2017 to those shareholders on the register on the 29 September 2017. It will bring the total dividend in respect of the financial year to 1.50 €cent per share, unchanged from last year.

## **Brexit**

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

On behalf of the board, I would like to thank the management team and staff for their commitment and contribution in 2016.

**Ted O'Neill**

**Chairman**

## **FINANCIAL REVIEW**

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**The number of pallets handled in increased by 9%, and we handled 18% additional pallets for blast freezing in 2016. This will allow the Group to positively position for future growth. Norish plc is one of only two companies in Britain who can presently provide blast freezing services for pig meat for China.**

**The significant feature of the year is the investment in the dairy farming business in Kilkenny.**

### **Sales**

Total Group revenue increased by 27.9% to £32.1m (2015: £25.1m). Temperature controlled revenues increased by 6.8% to £12.6m (2015: £11.8m). Revenues were up mainly as a result of an increase in blast freezing volumes. Revenues in the commodity division increased by 46.6% to £19.5m (2015: £13.3m). Townview Foods mainly accounted for the increased sales.

### **Gross profit**

Gross profit unchanged at £1.3m (2015: £1.3m).

### **Operating profit**

Operating profit increased to £0.9m (2015: £0.8m).

### **Finance expense (net)**

Finance expense decreased to £0.27m (2015: £0.30m). The decrease is mainly attributable to the cash generated from the fund raise in December 2015.

### **Loss from discontinued operations**

As part of the Group's strategy to exit the ambient sector we recorded a loss of £0.1m (2015: £0.3m).

In 2016, The Group has exited the FMCG market and recorded a loss of £0.1m (2015: £Nil).

### **Earnings per share**

The basic earnings per share fell to 1.5p (2015: 2.8p). The earning per share was impacted by the additional shares issued in December 2015.

### **Capital**

During the year we invested £1.7m (2015: £0.5m), £0.6m in capital outlay along with £0.3m in the herd for the dairy farm in Kilkenny and £0.8m in routine capital expenditure in the temperature controlled division.

### **Cash Position**

Net debt increased to £5.2m (2015: £3.2m). Operating activities generated £0.3m (2015: absorbed £0.2m) and financing activities absorbed £0.9m (2015 generated: £4.7m). Investment in assets was made of £1.7m (2015: £0.5m). Investment of £0.3m was made in the dairy herd.

## **Dividend**

The board recommends the payment of a final dividend of 1.50 €cent per share. This will be paid on the 20 October 2017 to those shareholders on the register on the 29 September 2017. It will bring the total dividend in respect of the financial year to 1.50 €cent per share unchanged from last year.

## **Treasury policy and management**

The treasury function, which is managed centrally, handles all Group funding, debt, cash, working capital and foreign exchange exposures. Group treasury policy concentrates on the minimisation of risk in all of the above areas and is overseen and approved by the Board. Speculative positions are not taken.

## **Financial risk management**

The Group's financial instruments comprise borrowings, cash, derivatives, and various items, such as trade receivables, trade payables etc., that arise directly from its operations. The main purpose of the financial instruments not arising directly from operations is to raise finance for the Group's operations.

The Group may enter into derivative transactions such as interest rate swaps, caps or forward foreign currency transactions in order to minimise its risks. The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk and, liquidity risk. The Group's policies for managing each of these risks are summarised below.

### **Interest rate risk**

The Group finances its operations through a mixture of retained profits, bank and other borrowings at both fixed and floating rates of interest, and working capital. The Group determines the level of borrowings at fixed rates of interest having regard to current market rates and future trends. At the year-end, £3.47m term loans of which, £0.9m are at floating base rate plus a bank margin of 1.2% and £0.83m are at floating base rate plus a bank margin of 1.75% and £0.5m are floating at bank base rate plus a bank margin of 2.75% and £1.24m are floating at bank base rate plus a margin of 3%. The Group holds an interest rate swap on £3m at 1.03% against Bank of England base rate which expires in June 2017.

### **Liquidity risk**

The Group's policy is that, in order to ensure continuity of funding, a significant portion of its borrowings should mature in more than one year. At the year-end, 59% of the Group's borrowings were due to mature in more than one year. The Group achieves short-term flexibility by means of invoice finance and overdraft facilities.

**Aidan Hughes**

**Finance Director**

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*for the financial year ended 31 December 2016*

	2016 £'000	2015 £'000
<b>Continuing operations</b>		
Revenue	32,098	25,145
Cost of sales	(30,757)	(23,859)
<b>Gross profit</b>	<u>1,341</u>	<u>1,286</u>
Other income	238	-
Administrative expenses	(707)	(447)
<b>Operating profit from continuing operations</b>	<u>872</u>	<u>839</u>
Finance income – fair value gain on swaps	20	26
Finance income – interest receivable	10	-
Finance expenses – interest paid	(240)	(272)
Finance expenses – notional interest	(29)	(33)
<b>Profit on continuing activities before taxation</b>	<u>633</u>	<u>560</u>
Income taxes – Corporation tax	(210)	(60)
Income taxes – Deferred tax	18	12
<b>Profit for the financial year from continuing operations</b>	<u>441</u>	<u>512</u>
Loss from discontinued operations	(161)	(223)
<b>Profit for the financial year</b>	<u>280</u>	<u>289</u>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>280</u>	<u>289</u>
Profit for the financial year attributable to owners of the parent	291	291
Loss for the financial year attributable to non-controlling interest	(11)	(2)
Total comprehensive income for the financial year attributable to owners of the parent	291	291
Total comprehensive expense for the financial year attributable to non-controlling interest	(11)	(2)

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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*for the financial year ended 31 December 2016*

	2016	2015
<b>Earnings per share expressed in pence per share:</b>		
From continuing operations		
- basic	<b>1.5p</b>	2.8p
- diluted	<b>1.5p</b>	2.8p
From discontinued operations		
- basic	<b>(0.6)p</b>	(1.2)p
- diluted	<b>(0.6)p</b>	(1.2)p

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	2016 £'000	2015 £'000
<b>Non current assets</b>		
Intangible assets	2,403	2,338
Property, plant and equipment	16,635	15,885
Biological assets	540	-
	<u>19,578</u>	<u>18,223</u>
<b>Current assets</b>		
Trade and other receivables	6,264	4,815
Inventories	483	386
Cash and cash equivalents	2,044	4,383
Assets of disposal group classified as held for sale	698	1,017
	<u>9,489</u>	<u>10,601</u>
<b>TOTAL ASSETS</b>	<u>29,067</u>	<u>28,824</u>
<b>Equity attributable to equity holders of the parent and non-controlling interest</b>		
Share capital	5,616	5,344
Share premium account	7,281	6,990
Capital conversion reserve fund	23	23
Treasury shares	(563)	-
Retained earnings	2,926	2,981
<b>Equity attributable to equity holders of the parent</b>	<u>15,283</u>	<u>15,338</u>
Non controlling interest	(22)	(11)
<b>TOTAL EQUITY</b>	<u>15,261</u>	<u>15,327</u>
<b>Non-current liabilities</b>		
Borrowings	3,006	4,123
Financial liabilities at fair value through profit or loss	44	199
Deferred tax	925	942
	<u>3,975</u>	<u>5,264</u>
<b>Current liabilities</b>		
Trade and other payables	5,082	4,198
Financial liabilities at fair value through profit or loss	255	311
Current tax liabilities	205	44
Borrowings	4,282	3,473
Liabilities of disposal group classified as held for sale	7	207
	<u>9,831</u>	<u>8,233</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>29,067</u>	<u>28,824</u>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the financial year ended 31 December 2016*

	Share capital £'000	Share premium £'000	Capital Conversion Reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000	Non- Controlling interest £'000	Total Equity £'000
<b>At 1 January 2015</b>	<b>3,280</b>	<b>4,198</b>	<b>23</b>	<b>-</b>	<b>2,878</b>	<b>10,379</b>	<b>(9)</b>	<b>10,370</b>
Net profit/(loss) for the financial year	-	-	-	-	291	291	(2)	289
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>291</b>	<b>291</b>	<b>(2)</b>	<b>289</b>
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)
<b>Transactions with owners</b>	<b>2,064</b>	<b>2,792</b>	<b>-</b>	<b>-</b>	<b>(188)</b>	<b>4,668</b>	<b>-</b>	<b>4,668</b>
<b>At 31 December 2015</b>	<b>5,344</b>	<b>6,990</b>	<b>23</b>	<b>-</b>	<b>2,981</b>	<b>15,338</b>	<b>(11)</b>	<b>15,327</b>
Net profit/(loss) for the financial year	-	-	-	-	291	291	(11)	280
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>291</b>	<b>291</b>	<b>(11)</b>	<b>280</b>
Issue of share capital	272	291	-	-	-	563	-	563
Share issue costs	-	-	-	-	-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-	-	(346)	(346)	-	(346)
Treasury shares acquired	-	-	-	(563)	-	(563)	-	(563)
<b>Transactions with owners</b>	<b>272</b>	<b>291</b>	<b>-</b>	<b>(563)</b>	<b>(55)</b>	<b>(55)</b>	<b>(11)</b>	<b>(66)</b>
<b>At 31 December 2016</b>	<b>5,616</b>	<b>7,281</b>	<b>23</b>	<b>(563)</b>	<b>2,926</b>	<b>15,283</b>	<b>(22)</b>	<b>15,261</b>

# CONSOLIDATED CASH FLOW STATEMENT

*For the financial year ended 31 December 2016*

	2016 £'000	2015 £'000
Profit on continuing activities before taxation	633	560
Gain on biological assets	(238)	-
Loss on discontinued activities	(161)	(223)
Finance expenses	269	305
Finance income	(30)	(26)
Depreciation – property, plant and equipment-net	625	615
	<u>1,098</u>	<u>1,231</u>
<b>Changes in working capital and provisions:</b>		
Increase in inventories	(97)	(334)
Increase in trade and other receivables	(1,130)	(1,320)
Decrease in current liabilities held for sale	(200)	(418)
Increase in payables	885	1,029
<b>Cash generated from operations</b>	<u>556</u>	<u>188</u>
Interest paid	(240)	(272)
Interest received	10	-
Taxation paid	(49)	(95)
<b>Net cash generated/(used in) from operating activities</b>	<u>277</u>	<u>(179)</u>
<b>Investing activities</b>		
Investment in intangible assets	(65)	-
Purchase of property, plant and equipment	(1,375)	(502)
Purchase of biological assets	(302)	-
<b>Net cash used in investing activities</b>	<u>(1,742)</u>	<u>(502)</u>
<b>Financing activities</b>		
Dividends paid to shareholders	(346)	(188)
Deferred consideration payments	(220)	(185)
Share issue proceeds	-	5,142
Share issue costs	-	(286)
Invoice finance receipts/(payments)	747	1,141
Overdraft payments	-	-
Finance lease capital repayments	(152)	(124)
Finance lease advance	219	-
Term loan advance	-	-
Term loan repayments	(1,122)	(821)
<b>Net cash (used)/ generated from financing activities</b>	<u>(874)</u>	<u>4,679</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(2,339)</u>	<u>3,998</u>
Cash and cash equivalents		
Beginning of period	4,383	385
Cash and cash equivalents end of period	<u>2,044</u>	<u>4,383</u>