Norish plc
Preliminary results 2017

Results

Norish plc (AIM: NSH), is pleased to announce its preliminary results for the year ended 31 December 2017.

Financial Highlights

- Total revenue increased by 31.5% to £42.3m (2016: £32.1m)
- Revenue from the Cold Store division increased by 13.3% to £14.3m (2016: £12.6m)
- Revenue from the Sourcing division increased by 41% to £27.4m (2016: £19.5m)
- Operating profit for the Group increased by 96% to £1.71m (2016: £0.87m)
- Profit before tax increased by 138% to £1.5m (2016 : £0.6m)
- Diluted adjusted Eps increased by 140% to 3.6p (2016 : 1.5p)
- Dividend increased by 10% to 1.65 €cent (2016: 1.50 €cent)
- Net debt was £5.4m at year end (2016: £5.2m)

Operational Highlights

- Cold stores comprise, by far the greatest proportion of our capital employed. This division recorded sales growth of 13.3%, when compared with 2016. Divisional contribution increased from £2.1m to £3.3m

- The North West Cold store division recorded sales growth of 15.9% and contribution growth of 85% in 2017, compared to the prior year. The South East Cold store division recorded sales growth of 10.8% and contribution growth of 28.5% on the same basis. This growth, at both divisions, is the result of a combination of increased volumes, improved profile of work and improved pricing.

- The contribution of Town View Foods which is a Protein Sourcing business, was ahead of the last year, with sales growth of 29% and contribution ahead by 12%.

- Our start-up businesses, including dairy and Foro International Connections Limited generated a combined loss of £0.3m in 2017. We expect both businesses to be profitable in 2018.

Operations

<u>Cold Store Division</u>

The North West cold store division which comprises the freehold sites at Wrexham and Birmingham performed strongly in 2017, reflecting a combination of increased intakes, greater blast freezing volumes, improved pricing with an increasing focus on costs, particularly towards the back end of the 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 ahead of the same period last year. Within the mix Bury saw strong growth in profitability, albeit from a low base, which helped overall divisional performance. Sales in the South East increased by 10.8%, reflecting higher intakes and greater blast freezing volumes.

Sourcing Division

Our Sourcing division which was previously known as the Commodity division consists of Town View Foods Limited and Foro International Connections Limited. Sales for the division accounted for £27.4m and £19.5m last year. The division contributed £0.53m for the period unchanged from the same period last year.

Town View Foods Limited accounted for sales of £23.8m, against £18.5m last year. It contributed £0.62m for the period, up from £0.56m for the same period last year. Town View Foods sources protein products mainly beef, pork, lamb and chicken. Sales from pork and chicken increased by £3.7m during the period, while sales from beef and lamb increased by £1.6m.

Foro International Connections Limited trades in the sale of juice to the ready to drinks market along with other retail goods. Sales increased to £3.5m from £1m. It recorded a loss of £0.1m against a breakeven in 2016.

Dairy

The dairy division continues to make progress. We have completed our capital investment phase in the business - we now have a high quality leased asset which should deliver attractive returns on capital out over the next decade and beyond. Our asset utilization and operational efficiency will continue to improve as we build our dairy herd at Cantwellscourt Farm, through 2018. Our 2018 Spring calving experience has been very good with all key KPI's delivered on.

Capital

During the period we invested £1.8m (2016: £1.7m), £1.3m in the dairy farm in Kilkenny and £0.5m in routine capital expenditure in the cold store division.

Outlook

We anticipate another strong year of profit growth in 2018, underpinned by the initiation of a continuous improvement programme across the business.

In our Cold Store Divisions , both our North West and South East Divisions have delivered profit growth in the first two months of 2018. We are actively engaged in programmes to both control and, where appropriate reduce costs.

Despite the current volatility in its underlying markets, our protein sourcing division had a good start to the year. We are confident that its low risk operating model can continue to deliver in line with expectation.

Our dairy farming division is expected to increase asset utilisation and operational efficiency in 2018 as we build our herd at Cantwellscourt Farm. Our Spring calving experience in 2018 has been very good with all key KPIs delivered on. We believe our dairy business has significant scope to grow from its existing asset base but also via adjacent opportunities along the value chain in the years ahead.

We expect the group's cash conversion metrics to continue to improve through 2018, driven by an improved operating performance, lower tax rate and reduced capital expenditures.

Financial Review

Total equity at 31 December 2017 stood at £16m (2016: £15.3m). Net debt at 31 December 2017 was £5.4m compared to £5.2m at 31 December 2016.

Dividend

The board recommends the payment of a final dividend of 1.65€cent per share. This will be paid on 19 October 2018 to those shareholders on the register on the 28 September 2018. It will bring the total dividend in respect of the financial year to 1.65 €cent per share, against 1.50€cent per share last year, an increase of 10%.

Brexit

The United Kingdom is due to leave the EU on the 29 March 2019. It is difficult to pin point any direct impacts from the ongoing Brexit discussions other than to say they are hardly positive for business generally. However, our balance sheet is in good shape and leaves us well positioned to benefit from any disruption and consequent opportunity which may arise.

On behalf of the board, I would like to thank the management team and staff for their commitment and contribution in 2017.

Ted O’Neill
Chairman

FINANCIAL REVIEW

The number of pallets handled in increased by 8%, and we handled 15% additional pallets for blast freezing in 2017. The average occupancy increased from 85% to 92%.

The significant feature of the year was the improvement of the profitability and returns at our cold stores.

Sales

Total Group revenue increased by 31.5% to £42.2m (2016: £32.1m). Cold store revenues increased by 13.3% to £14.3m (2015: £12.6m). Revenues were up mainly as a result of an increase in blast freezing volumes. Revenues in the sourcing division increased by 41% to £27.4m (2016: £19.5m). Townview Foods mainly accounted for the increased sales.

Gross profit

Gross profit increased to £2.6m (2016: £1.3m).

Deferred consideration

During the year we provided £0.1m (2016 : nil) in respect of the additional payments required in respect of the acquisition of Townview Foods.

Operating profit

Operating profit increased to £1.7m (2016: £0.9m).

Finance expense (net)

Finance expense decreased to £0.21m (2016: £0.27m).

Loss from discontinued operations

As part of the Group's strategy to exit the ambient sector we recorded a loss of Nil (2016: £0.1m).

In 2016, the Group exited the FMCG market and recorded a loss of £0.1m during 2017 (2016: £0.1m).

Earnings per share

The basic adjusted earnings per share increased to 3.6p (2016: 1.5p).

Capital

During the year we invested £1.9m (2016: £1.7m): £1.3 in capital outlay in the dairy farm in Kilkenny and £0.6m in routine capital expenditure in the cold store division.

Cash Position

Net debt increased to £5.4m (2016: £5.2m). Operating activities generated £2.5m (2016: used £0.3m) and financing activities absorbed £1.1m (2016: absorbed £0.9m). Investment in assets was made of £1.9m (2016: £1.7m).

Dividend

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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, £2.9m term loans of which, £0.4m are at floating base rate plus a bank margin of 1.2% and £0.7m are at floating base rate plus a bank margin of 1.75% and £0.41m are floating at bank base rate plus a bank margin of 2.75% and £1.12m are floating at bank base rate plus a margin of 3% and £0.27m are at a floating rate of 3.75%.

In February 2018 the Group renegotiated its terms loans and have refinanced £2.2m of the above term loans at floating base rate plus a margin of 1.85%.

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, 66% 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.

Aidan Hughes
Finance Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	2017	2016
	£'000	£'000
Continuing operations		
Revenue	**42,183**	32,098
Cost of sales	**(39,550)**	(30,757)
Gross profit	**2,633**	1,341
Other income	**66**	238
Deferred Consideration	**(100)**	-
Administrative expenses	**(889)**	(707)
Operating profit from continuing operations	**1,710**	872
Finance income – fair value gain on swaps	**10**	20
Finance income – interest receivable	**1**	10
Finance expenses – interest paid	**(201)**	(240)
Finance expenses – notional interest	**(13)**	(29)
Profit on continuing activities before taxation	**1,507**	633
Income taxes – Corporation tax	**(413)**	(210)
Income taxes – Deferred tax	**(28)**	18
Profit for the financial year from continuing operations	**1,066**	441
Loss from discontinued operations	**(73)**	(161)
Profit for the financial year	**993**	280
Other comprehensive income	-	-
Total comprehensive income for the year	**993**	280
Profit for the financial year attributable to owners of the parent	**993**	291
Loss for the financial year attributable to non-controlling interest	**-**	(11)
Total comprehensive income for the financial year attributable to owners of the parent	**993**	291
Total comprehensive expense for the financial year attributable to non-controlling interest	**-**	(11)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	2017	2016
Earnings per share expressed in pence per share:		
From continuing operations		
- basic	**3.6p**	1.5p
- diluted	**3.6p**	1.5p
From discontinued operations		
- basic	**(0.2)p**	(0.6)p
- diluted	**(0.2)p**	(0.6)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	2017	2016
	£'000	£'000
Non current assets		
Goodwill	**2,338**	2,338
Intangible assets	**141**	65
Property, plant and equipment	**17,759**	16,635
Biological assets	**624**	540
	20,862	19,578
Current assets		
Trade and other receivables	**7,537**	6,264
Inventories	**709**	483
Cash and cash equivalents	**1,558**	2,044
Assets of disposal group classified as held for sale	**279**	698
	10,083	9,489
TOTAL ASSETS	**30,945**	29,067
Equity attributable to equity holders of the patent and non-controlling interest		
Share capital	**5,616**	5,616
Share premium account	**7,281**	7,281
Other reserves	**103**	23
Treasury shares	**(563)**	(563)
Retained earnings	**3,516**	2,926
Equity attributable to equity holders of the parent	**15,953**	15,283
Non controlling Interest	**-**	(22)
TOTAL EQUITY	**15,953**	15,261
Non-current liabilities		
Borrowings	**2,390**	3,006
Financial liabilities at fair value through profit or loss	**-**	44
Deferred tax	**953**	925
	3,343	3,975
Current liabilities		
Trade and other payables	**6,680**	5,082
Financial liabilities at fair value through profit or loss	**29**	255
Current tax liabilities	**367**	205
Borrowings	**4,555**	4,282
Liabilities of disposal group classified as held for sale	**18**	7
	11,649	9,831
TOTAL EQUITY AND LIABILITIES	**30,945**	29,067

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Share capital £'000	Share premium £'000	l Other Reserves £'000	Treasury shares £'000	Retained earnings £'000	Total £'000	Non-Controlling interest £'000	Total Equity £'000
At 1 January 2016	**5,344**	**6,990**	**23**	**-**	**2,981**	**15,338**	**(11)**	**15,327**
Net profit/(loss) for the financial year	-	-	-		291	291	(11)	280
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**291**	**291**	**(11)**	**280**
Issue of share capital	272	291	-	-	-	563	-	563
Equity dividends paid (recognised directly in equity)	-	-	-	-	(346)	(346)	-	(346)
Treasury shares acquired	-	-	-	(563)	-	(563)	-	(563)
Transactions with owners	**272**	**291**	**-**	**(563)**	**(55)**	**(55)**	**(11)**	**(66)**
At 31 December 2016	**5,616**	**7,281**	**23**	**(563)**	**2,926**	**15,283**	**(22)**	**15,261**
Net profit/(loss) for the financial year	-	-	-		993	993	-	993
Total comprehensive income for the financial year	**-**	**-**	**-**		**993**	**993**	**-**	**993**
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**	**-**	**590**	**670**	**22**	**692**
At 31 December 2017	**5,616**	**7,281**	**103**	**(563)**	**3,516**	**15,953**	**-**	**15,953**

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2017	**2017**	2016
	£'000	£'000
Profit on continuing activities before taxation	**1,507**	633
Gain on biological assets	**(66)**	(238)
Amortisation of intangible assets	**6**	-
Foreign exchange gain	**63**	-
Loss on discontinued activities	**(73)**	(161)
Deferred Consideration	**100**	-
Finance expenses	**214**	269
Finance income	**(11)**	(30)
Depreciation – property, plant and equipment-net	**709**	625
	2,449	1,098
Changes in working capital and provisions:		
Increase in inventories	**(226)**	(97)
Increase in trade and other receivables	**(854)**	(1,130)
Increase/(decrease) in current liabilities held for sale	**11**	(200)
Increase in payables	**1,598**	885
Cash generated from operations	**2,978**	556
Interest paid	**(201)**	(240)
Interest received	**1**	10
Taxation paid	**(251)**	(49)
Net cash generated from operating activities	**2,527**	277
Investing activities		
Investment in Intangible assets	**(82)**	(65)
Purchase of property, plant and equipment	**(1,816)**	(1,375)
Purchase of biological assets	**(19)**	(302)
Net cash used in investing activities	**(1,917)**	(1,742)
Financing activities		
Dividends paid to shareholders	**(381)**	(346)
Deferred consideration payments	**(372)**	(220)
Invoice finance receipts	**487**	440
Overdraft receipt	**(94)**	304
Finance lease capital repayments	**(189)**	(147)
Term loan advance	**266**	-
Finance lease advance	**24**	218
Term loan repayments	**(837)**	(1,123)
Net cash outflow from financing activities	**(1,096)**	(874)
Net decrease in cash and cash equivalents	**(486)**	(2,339)
Cash and cash equivalents and bank overdrafts, Beginning of period	**2,044**	4,383
Cash and cash equivalents end of period	**1,558**	2,044