Norish plc
Interim results 2019
Results

Norish plc (AIM: NSH), is pleased to announce its interim results for the six months ended 30 June 2019.

Financial Highlights

- Operating profit ahead by 37%, from £1.0m to £1.4m.
- Profit before tax ahead by 43%, from £0.9m to £1.3m
- Fully diluted adjusted EPS ahead by 41%, year on year, from 2.2p to 3.1p
- Net debt after IFRS 16 adjustments reduced from Stg £10.1m at Dec-18 to Stg £9.6m at Jun-19. (Pre-IFRS 16 it reduced from £4.9m to £4.7m).

Divisional Highlights

£'m	**Cold Store**			**Sourcing**			**Dairy**		
	Jun-19	Jun-18	% Growth	**Jun-19**	Jun-18	% Growth	**Jun-19**	Jun-18	% Growth
Revenue	**7.3**	6.7	10.4%	**9.8**	11.6	(15.5%)	**0.4**	0.2	100%
Operating Profit	**1.6**	1.3	23%	**0.2**	0.3	(33.3%)	**(0.1)**	(0.2)	50%
Operating Margin	**21.6%**	17.9%		**2.0%**	2.6%		**(25%)**	(100%)	

Cold Store division

Cold Stores are our largest business activity, accounting for circa 75% of the non-current assets in the business. Sales in cold stores increased by 9% or £0.6m, from £6.7m to £7.3m. This growth in revenue, combined with tight cost control, saw divisional profits grow by 23% or £0.3m.

The drivers of the growth in revenue, which was predominantly North West based, comprised a 13% increase in pallets handled, a 13% increase in blast frozen throughput, an improved stock turn (from 7.0 weeks to 6.6 weeks) and a slightly higher occupancy level. Occupancy increased from 93% in the first half of 2018, to 95% in the first half of 2019.

Labour and energy, our two largest costs were up 2%, year on year. Power units consumed were lower by 2%, a creditable performance in the context of 13% growth in blast freezing volumes. Operating margins expanded from 17.9% to 21.6%, year on year.

Sourcing Division

Sales at our sourcing division declined by 15.5% in the first half of 2019, compared with the same period in 2018, from £11.4m to £9.8m. Operating profit declined by a corresponding 33.3%, year on year, from £0.3m to £0.2m, reflecting trading uncertainty and currency fluctuations arising from the ongoing Brexit process.

Dairy Division
In our dairy business, we continue to make progress.

At Cantwellscourt Farm, milk production was 68% ahead year on year, reflecting a very good grass growing period, improved management, increased stock numbers and a maturing herd. Our partnership with Captal Farms has resulted in a more robust operating model with sourcing economies, benchmarking with other Captal Farms across key KPIs and support from a highly skilled operations team.

Our subsidiary, Grass to Milk Company, is developing an A2-protein milk supply and combining this with novel dairy processing IP, to develop an early-life stage milk-based beverage targeting high-value export markets. Grass to Milk Company is targeting commercial production in the second half of 2020.

Discontinued

During the period the group decided to exit the Juice business for the ready to drinks market. A loss of £Nil was incurred, compared to £0.3m last year.

Outlook

Our cold store business continues to focus on improved revenue generation (in particular sales mix) by working collaboratively with customers, in the context of the resources available to the business. We continue to pursue initiatives to offset underlying cost growth pressures. In a general sense, the Temperature Controlled market appears to be operating close to capacity, as we head into the important final months of the year.

We expect to make further progress in our cold store business over the remainder of the year and beyond.

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

With respect to the dairy division, it has been a very good year for grass production and this together with renewed focus on cost control should see the farm generate a much-improved result.

Next year should see an opportunity to further increase stock numbers and transition to an A2 protein dairy herd. We expect Grass to Milk Company to achieve commercial sales in the second half of 2020; a major milestone in the development of this niche, value-add dairy business.

Dividend

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

The final dividend of 1.80 €cent per share announced earlier in the year will be paid on 18 October 2019 to those shareholders on the register on the 27 September 2019.

Norish plc

Consolidated income statement

For the six months ended 30 June 2019

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Restated)	Year ended 31 December 2018 (Restated)
	£'000	£'000	£'000
Continuing operations			
Revenue	**17,512**	18,454	36,802
Cost of sales	**(15,775)**	(17,054)	(33,658)
Gross profit	**1,737**	1,400	3,144
Other income	**70**	24	43
Administrative expenses	**(381)**	(383)	(851)
Operating profit from continuing operations	**1,426**	1,041	2,336
Finance income - interest receivable	**-**	-	3
Finance expenses – interest paid	**(167)**	(163)	(363)
Profit on continuing activities before taxation	**1,259**	878	1,976
Income taxes – Corporation tax	**(311)**	(216)	(393)
Income taxes – Deferred tax	**-**	-	(46)
Profit for the period attributable to owners of the parent from continuing operations	**948**	662	1,537
Loss from discontinued activities	**(16)**	(289)	(379)
Profit for the period	**932**	373	1,158
Other comprehensive income	**-**	-	-
Total comprehensive income for the year	**932**	373	1,158
Profit for the period attributable to owners of parent	**932**	373	1,158
Loss for the financial year attributable to non-controlling interest	**-**	-	-
Earnings per share expressed in pence per share:			
From continuing operations			
- basic	**3.1p**	2.2p	5.1p
- diluted	**3.1p**	2.2p	5.1p
From discontinued operations			
- basic	**0p**	(1.0)p	(1.3)p
- diluted	**0p**	(1.0)p	(1.3)p

Norish plc
Interim balance sheet
As at 30 June 2019

	As at 30 June 2019 (Unaudited)	As at 30 June 2018 (Restated)	As at 31 December 2018 (Restated)
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Goodwill	2,338	2,338	2,338
Intangible assets	332	54	166
Biological assets	674	658	639
Property, plant and equipment	22,644	21,559	22,871
	25,988	**24,609**	**26,014**
Current assets			
Trade and other receivables	6,230	6,721	6,250
Inventories	993	480	624
Cash and cash equivalents	973	1,167	1,543
Assets of disposal group classified as held for sale	284	363	324
	8,480	**8,731**	**8,741**
TOTAL ASSETS	**34,468**	**33,340**	**34,755**
Equity attributable to equity holders of the parent And non-controlling interest			
Share capital	5,640	5,640	5,640
Share premium account	7,321	7,321	7,321
Other reserves	103	103	103
Treasury shares	(563)	(563)	(563)
Retained earnings	4,682	3,374	3,719
TOTAL EQUITY	**17,183**	**15,875**	**16,220**
Non-current liabilities			
Borrowings	6,119	5,673	6,222
Deferred tax	999	953	999
	7,118	**6,626**	**7,221**
Current liabilities			
Trade and other payables	4,993	5,699	5,446
Current tax liabilities	747	583	390
Borrowings	4,427	4,494	5,433
Liabilities of disposal group classified as held for sale	-	63	15
	10,167	**10,839**	**11,284**
TOTAL EQUITY AND LIABILITIES	**34,468**	**33,340**	**34,755**

Norish plc
Consolidated statement of changes in equity
For the six months ended 30 June 2019

	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 2018	**5,616**	**7,281**	**103**	**(563)**	**3,516**	**15,953**	**-**	**15,953**
Transition impact of IFRS 16					(512)	(512)		(512)
At 1 January 2018 Restated	**5,616**	**7,281**	**103**	**(563)**	**3,004**	**15,441**		**15,441**
Net profit for the financial period	-	-	-		373	373	-	373
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**373**	**373**	**-**	**373**
Issue of share capital	24	40	-	-	-	64	-	64
Equity dividends paid (recognised directly in equity)	-	-	-	-	-	-	-	-
Treasury shares acquired	-	-	-	-	-	-	-	-
Transactions with owners	**24**	**40**	**-**	**-**	**373**	**437**	**-**	**437**
At 30 June 2018	**5,640**	**7,321**	**103**	**(563)**	**3,377**	**15,878**	**-**	**15,878**
Net profit/(loss) for the financial period	-	-	-		785	785	-	785
Total comprehensive income for the period	**-**	**-**	**-**		**785**	**785**	**-**	**785**
Issue of share capital	-	-	-		-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-		(413)	(413)	-	(413)
Foreign Exchange gain	-	-	-	-	-	-	-	-
Transactions with owners	**-**	**-**	**-**	**-**	**372**	**372**	**-**	**372**
At 31 December 2018	**5,640**	**7,321**	**103**	**(563)**	**3,749**	**16,250**	**-**	**16,250**
Net profit for the financial period	-	-	-		932	932	-	932
Total comprehensive income for the period	**-**	**-**	**-**		**932**	**932**	**-**	**932**
Issue of share capital	-	-	-		-	-	-	-
Equity dividends paid (recognised directly in equity)	-	-	-		-	-	-	-
Foreign Exchange gain	-	-	-	-	-	-	-	-
Transactions with owners	**-**	**-**	**-**	**-**	**932**	**932**	**-**	**932**
At 30 June 2019	**5,640**	**7,321**	**103**	**(563)**	**4,682**	**17,183**	**-**	**17,183**

Consolidated cash flow statement
For the six months ended 30 June 2019

	Six months Ended 30 June 2019 (Unaudited) £'000	Six months ended 30 June 2018 (Restated) £'000	Year Ended 31 December 2018 (Restated) £'000
Profit on continuing activities before taxation	**1,259**	878	1,976
Gain on biological assets	**(70)**	(24)	(43)
Amortisation of intangible assets	**-**	141	141
Foreign exchange gain	**-**	-	(23)
Loss on discontinued activities	**(16)**	(289)	(379)
Finance expenses	**167**	163	363
Finance income	**-**	-	(3)
Depreciation – property, plant and equipment	**826**	652	1,427
	2,166	1,521	3,459
Changes in working capital:			
Decrease /(increase) in inventories	**(369)**	229	85
Decrease in trade and other receivables	**20**	732	1,287
Increase/(decrease) in trade and other receivables for disposal	**40**	-	(45)
Increase/(decrease) in current liabilities held for sale	**(15)**	45	(3)
(Decrease)/increase in payables	**(453)**	(981)	(1,234)
Cash generated from operations	**1,389**	1,546	3,549
Interest paid	**(167)**	(163)	(363)
Interest received	**-**	-	3
Taxation refund/(paid)	**46**	-	(370)
Net cash from operating activities	**1,268**	1,383	2,819
Investing activities			
Investment in intangible assets	**(166)**	(54)	(166)
Purchase of biological assets	**(4)**	-	(35)
Sale of biological assets	**39**		68
Purchase of property, plant and equipment	**(599)**	(687)	(2,756)
Net cash used in investing activities	**(730)**	(741)	(2,889)
Financing activities			
Dividends paid to shareholders	**-**	-	(413)
Deferred consideration payments	**-**	(29)	(29)
Share issue proceeds	**-**	64	64
Invoice finance (payments)/receipts	**(799)**	(325)	551
Overdraft receipts	**-**	-	(210)
Finance lease capital repayments	**(514)**	(348)	(868)
Finance lease advance	**51**	-	1,669
Term loan advance	**314**	-	2,200
Term loan repayments	**(160)**	(395)	(2,909)
Net cash used in financing activities	**(1,108)**	(1,033)	(55)
Net decrease in cash and cash equivalents	**(570)**	(391)	(15)
Cash and cash equivalents, at beginning of period	**1,543**	1,558	1,558
Cash and cash equivalents end of period	**973**	1,167	1,543

Note: The accounting policies applied throughout the period are consistent with those applied for the year ended 31 December 2018, as set out in the 2018 Annual Report.

Transition to IFRS 16 Leases

The accounting policies adopted in the preparation of the interim statement for the six-month period ending 30 June 2019 are consistent with those adopted in the annual report for the year ended 31 December 2018 with the exception of transition to IFRS 16 Leases.

IFRS 16 has been endorsed by the EU and is effective from 1 January 2019. For lessees, the standard removes the distinction between finance leases (on balance sheet) and operating leases (off balance sheet) and introduces a single lessee accounting model where almost all leases are recognised on balance sheet as both assets and liabilities.

The Group has applied the standard using the full retrospective approach. Accordingly, the 2018 financial information included in these interim financial statements has been restated for the effects of transition to IFRS 16. A cumulative transitional adjustment has been recorded on 1 January 2018, the date of initial application. The Group only applies IFRS 16 to leases which were previously identified as leases under IAS 17 and IFRIC 4 in accordance with the practical expedient allowed under IFRS 16.

The Group's loan covenants are on a 'frozen-GAAP' basis and, accordingly, the transition to IFRS 16 has had no impact.

Impact of Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2018, cost of sales reduced by a net £91,000 and finance expense increased by a net £76,000 resulting in an overall £15,000 increase in the profit for the period. Cost of sales reduced as the expense (fixed fees only) relating to operating leases has been replaced by a lesser amount of depreciation expense relating to the right to use asset resulting in a net reduction in cost of sales in the period.

For the six-month period ended 30 June 2018, finance expense increased as a result of the recognition of interest on the additional lease liabilities recognised under IFRS16's single lessee accounting model.

Overall, a net gain arose in the six-month period ended 30 June 2018 as the reduction in cost of sales exceeded the increase in finance expense as a result of the differing pattern of recognition between depreciation expense and finance expense.

Impact on Consolidated Statement of Financial Position

At 30 June 2018, the right to use asset recognised under IFRS's single lessee accounting model increased property, plant and equipment by £3,513,000 (31 December 2018: £4,746,000, 1 January 2018: £3,766,000).

At 30 June 2018, the additional lease liability recognised under IFRS's single lessee accounting model increased borrowings by £4,013,000 (31 December 2018: £5,221,000, 1 January 2018: £4,280,000).

At 30 June 2018, the combined adjustments to both property, plant and equipment and borrowings resulted in a reduction in equity of £500,000 (31 December 2018: £475,000, 1 January 2018: £512,000).

Impact on Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2018 cash flow generated by operating activities increased by £186,000 and cash flow used in financing activities increased by a similar amount as a result of payments in relation to previously recognised operating leases being classified as finance expenses as opposed to lease expenses.

The amounts stated above are subject to audit and, as a result, may be subject to change.

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