**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**Chairman’s Statement**

Norish plc (AIM: NSH), is pleased to announce its results for the year ended 31 December 2020.

Notwithstanding Covid 19 and Brexit associated disruption, our business performed very well in the period under review.

* The cold store division saw an EBITDA decline of only 2%, despite greatly reduced pallet intakes and slower stock turn.
* Our dairy division continues to execute to plan, commercialising A2 protein milk products from our own unique milk source.
* The protein sourcing business continued to be profitable in the period under review.
* Balance sheet further improved, with net debt reduced.
* Strategic review of Cold Store Assets initiated.

**Group Financial Highlights**

* Group revenue reduced by 2% to £33.4m (2019: £34.1m)
* Profit before tax reduced by 14% to £1.98m (2019: £2.31m)
* Diluted adjusted Eps decreased by 21% to 5.02p (2019: 6.33p)
* Effective tax rates increased to 23.7% (2019: 17.8%)
* Operating margins decreased by 90 bps to 6.9% (2019: 7.8%)
* Dividend proposed at 2.0 €cent per share (2019: proposed not paid of 1.90 €cent per share)
* Net debt was reduced from Stg£9.7m at start of year to Stg£8.7m at year end.
* Interest cover was 7.3 times (2019: 7.7 times)

*Diluted adjusted EPS is calculated using profit for the financial year from continuing operations as the measure of earnings. Financial information above, including comparative information, is from continuing operations only.*

**Divisional Highlights**

|  |  |  |  |
| --- | --- | --- | --- |
| **£’m** | **Cold Stores** | **Sourcing** | **Dairy** |
|  | **2020** | 2019 | % Growth | **2020** | 2019 | % Growth | **2020** | 2019 | % Growth |
| Revenue | **14.6** | 15.1 | (3.3%) | **17.8** | 18.2 | (2.2%) | **1.0** | 0.9 | 11% |
| EBITDA | **4.6** | 4.7 | (2.1%) | **0.3** | 0.4 | (25%) | **0.0** | 0.0 | 0% |
| Operating Profit | **3.0** | 3.3 | (9.1%) | **0.3** | 0.4 | (25%) | **(0.1)** | (0.1) | 0% |
| Operating Margin | **20.5%** | 21.9% |  | **1.8%** | 2.2% |  | **(10%)** | (11%) |  |

**Cold Store division**

Cold stores, which comprise our largest business activity, saw a modest 3.3% reduction in sales (from Stg£15.1m to Stg£14.6m), a very creditable performance in a year which saw some of our end user markets, both Chinese and domestic, closed for a number of months because of the Covid 19 Pandemic.

**Chairman’s Statement *(Continued)***

Pallets receipted, the lifeblood of our business, were down 19%, year on year, while blast freezing volumes were down 8%, year on year. Average stock turn dis-improved from 6.6

weeks in 2019 to 7.5 weeks in 2020. Average month end occupancy for 2020 was 87%. This compares with average occupancy of 95% in 2019.

Against that context, divisional profits came in at a robust Stg£3m, a 9.1% decline on the Stg £3.3m in the prior year. Divisional margins stood at 20.5% in 2020, 140 basis points below the 21.9% margin outturn for 2019.

The year was characterised by a good if brief start, a decline through to June, with markets bottoming out in July and August before strongly recovering since then. The overall result reflects prompt and significant cost control, together with continued pricing initiatives in place around sales mix and tiered pricing.

**Sourcing Division**

Sales at our sourcing division declined by 2.2% in 2020, compared with the same period in 2019, from £18.2m to £17.8m. Operating profit declined by a corresponding 25%, from £0.4m to £0.3m, reflecting the trading impact of COVID-19.

The Group’s original investment in the main Sourcing subsidiary, Townview Foods Ltd, has been fully recouped and the structures are in place to continue development of this business.

**Dairy Division**

Our subsidiary, Grass to Milk Company Ltd, completed a key milestone in its development; delivering its first shipment of A2 protein product to China, in the final quarter of 2020.

Cantwellscourt Farm Ltd’s operating performance in 2020 was consistent with our expectations. Our herd, now fully converted to producing A2 milk, generated revenue 11% ahead year on year. This was driven by better production output per cow and reflective increase in milk market pricing.

Our farming enterprise continues to improve across key operating KPI’s. Cantwellscourt Farm Ltd is providing A2 protein milk supply to Grass to Milk Ltd in the first instance.

**Chairman’s Statement *(Continued)***

**Discontinued**

During 2020, the group decided to discontinue ambient warehousing in Ireland. A loss in the current year of £0.07m was incurred, compared with £0.06m last year.

**Outlook**

I am pleased to report that the improvement in the cold store division in the later months of 2020, has continued through January and February and into March of 2021.

Our product sourcing division has been impacted by Covid 19 and Brexit in January & February 2021. We expect to see this to recover in the second quarter of 2021. We have identified an opportunity to develop a protein export business to South Africa, and we expect to see growth in this area during 2021.

We are happy with the progress made with the development of our A2 protein milk supply via Cantwellscourt Farm Ltd. Grass to Milk Company Ltd has launched its first A2 protein, using our own unique milk source. We plan to ramp up production in 2021 in conjunction with our commercial partners in the Chinese market. We will continue to execute on our strategy; continuing to develop dairy products with functional nutrition benefits, derived from our unique A2 protein grass-fed milk source.

**Strategic Review**

Over the course of the year, Norish received a number of expressions of interest, from third parties, for some or all of its cold stores. As a result, the board of Norish are now carrying out a strategic review in respect of all of the assets and businesses within this division.
The strategic review is at an early stage and the outcome cannot be determined at this time.

**Dividend**

The board recommends the payment of a final dividend of 2.0 €cent per share. This will be paid on 15 October 2021 to those shareholders on the register on the 24 September 2021. It will bring the total dividend in respect of the financial year to 2.0 €cent per share, against Nil €cent per share last year.

On behalf of the board, I would like to thank the management team and staff for their commitment and contribution in 2020.



**Ted O’Neill**

**11 March 2021**

**Financial Review**

**The average cold store occupancy decreased from 95% to 87%, pallets received decreased 19% and blast freezing throughput decreased 8%.**

**Sales**

Total Group revenue decreased by 2% to £33.4m (2019: £34.1m). Cold store revenues decreased by 3.3% to £14.6m (2019: £15.1m). Revenues were mainly down on the lower pallets received and lower blast freezing volumes. Revenues in the sourcing division decreased by 2.2% to £17.8m (2019: £18.2m).

**Gross profit**

Gross profit decreased by 12% to £2.97m (2019: £3.37m).

**Operating profit**

Operating profit decreased by 14% to £2.29m (2019: £2.66m).

**Finance expense (net)**

Finance expense decreased to £0.31m (2019: £0.35m).

**Loss from discontinued operations**

During 2020, the group decided to discontinue the ambient warehousing in Ireland following on from the group exit in 2018 in the Juice business for the ready to drink market. A loss in the current year of £0.07m was incurred, compared to £0.06m last year.

**Earnings per share**

The basic adjusted earnings per share decreased by 21% to 5.02p (2019: 6.33p).

**Capital**

During the period we invested £2.2m (2019: £2.3m) in investing activities. £1.74m was invested in plant and equipment of which £0.36m was invested in Blast Freezers at the Wrexham store and £1.24m in other capital expenditure for the cold store division. £0.14m was invested in dairy division. We also invested £0.7m in respect of the commercialisation of our A2 protein milk business. We sold and purchased Biological assets which netted £0.2m in surplus cash.

**Cash Position**

Net debt decreased to £8.7m (2019: £9.7m). Cash generated from operations amounted to £3.2m (2019: £3.5m) and financing activities absorbed £0.5m (2019: £1.8m). Investment in assets was made of £2.2m (2019: £2.3m).

**Financial Review *(Continued)***

**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, and various items, such as trade receivables, trade payables etc., that arise directly from its operations. The main purposes 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, liquidity risk, credit risk and foreign exchange 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 there are £1.7m term loans of which £1.32m are at floating base rate plus a bank margin of 1.85% and £0.18m are at a floating rate of 3.75% and £0.2m are at Euribor plus a bank 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, 76% of the Group’s term loan borrowings were due to mature in more than one year. The Group achieves short-term flexibility by means of invoice finance and overdraft.

**Financial Review *(Continued)***

**Credit risk**

The Group’s policy is to minimise exposure to credit risk by performing the appropriate customer due diligence and monitoring the exposure to credit risk. Furthermore, for much of the Group’s trading activities the Group has physical custody over customer’s inventory.

**Foreign exchange risk**

The Group’s policy is to manage foreign exchange risk which arises principally in the product sourcing division. The Group does this by mainly purchasing euros at a fixed rate forward and using this rate in establishing a selling price for its goods in order to maintain an acceptable margin.

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**Aidan Hughes**

**Finance Director**

**Consolidated STATEMENT OF COMPREHENSIVE INCOME**

*for the financial year ended 31 December 2020*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **2020** | 2019 |
|  |  |  | **£’000** | £’000  |
|  |  |  |  |  |
| **Continuing operations** |  |  |  |  |
| Revenue |  |  | **33,361** | 34,100 |
| Cost of sales |  |  | **(30,389)** | (30,733) |
|  |  |  |  |  |
| **Gross profit** |  |  | **2,972** | 3,367 |
|  |  |  |  |  |
| Other income |  |  | **182** | 107 |
| Administrative expenses |  |  | **(865)** | (811) |
| **Operating profit from continuing operations**  |  |  | **2,289** | 2,663 |
|  |  |  |  |  |
| Finance income – interest receivable |  |  | **1** | 1 |
| Finance expenses – lease interest |  |  | **(196)** | (229) |
| Finance expenses – interest on bank loans |  |  | **(117)** | (120) |
|  |  |  |  |  |
| **Profit on continuing activities before taxation** |  |  | **1,977** | 2,315 |
|  |  |  |  |  |
| Income taxes – Corporation tax  |  |  | **(224)** | (247) |
| Income taxes – Deferred tax |  |  | **(245)** | (165) |
|  |  |  |  |  |
| **Profit for the financial year from continuing operations** |  |  | **1,508** | 1,903 |
|  |  |  |  |  |
| Loss for the financial year from discontinued operations |  |  | **(71)** | (62) |
|  |  |  |  |  |
| **Profit for the financial year attributable to****owners of the parent** |  |  | **1,437** | 1,841 |
|  |  |  |  |  |
| Other comprehensive income  |  |  |  **162** | **-** |
| **Total comprehensive income for the financial year attributable to owners of the parent** |  |  | **1,599** | 1,841 |
|  |  |  |  |  |

|  |
| --- |
| **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** |
|  |  |  |  |  |
| *for the financial year ended 31 December 2020(continued)* |
|  |  |  |  |  |
|  |  |  | **2020** | 2019 |
|  |  |  |  |  |
| **Earnings per share expressed in pence per share:** |  |  |  |  |
| From continuing operations - basic  |  |  | **5.02p** | 6.33p |
| - diluted |  |  | **5.02p** | 6.33p |
|  |  |  |  |  |
|  |  |  |  |  |
| From discontinued operations - basic  |  |  | **(0.24)p** | (0.21)p |
| - diluted |  |  | **(0.24)p** | (0.21)p |
|  |  |  |  |  |

**Consolidated Statement of financial position**

*at 31 December 2020*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **2020** | 2019 |
|  |  |  | **£’000** | £’000 |
| **Non current assets** |  |  |  |  |
| Goodwill |  |  | **2,338** | 2,338 |
| Intangible assets |  |  | **1,269** | 564 |
| Property, plant and equipment |  |  | **22,898** | 22,777 |
| Biological assets |  |  | **770** | 824 |
|  |  |  | **27,275** | 26,503 |
| **Current assets** |  |  |  |  |
| Trade and other receivables |  |  | **7,526** | 6,857 |
| Inventories |  |  | **58** | 1,105 |
| Cash and cash equivalents |  |  | **1,550** | 1,054 |
| Assets of disposal group classified as held for sale |  |  | **381** | 277 |
|  |  |  | **9,515** | 9,293 |
|  |  |  |  |  |
| **TOTAL ASSETS** |  |  | **36,790** | 35,796 |
|  |  |  |  |  |
| **Equity attributable to owners of the parent** |  |  |  |  |
| Share capital |  |  | **5,640** | 5,640 |
| Share premium account |  |  | **7,321** | 7,321 |
| Other reserves |  |  | **141** | (21) |
| Retained earnings |  |  | **5,750** | 4,313 |
| **TOTAL EQUITY** |  |  | **18,852** | 17,253 |
|  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |
| Borrowings |  |  | **5,514** | 5,935 |
| Deferred tax |  |  | **1,244** | 1,002 |
|  |  |  | **6,758** | 6,937 |
| **Current liabilities** |  |  |  |  |
| Trade and other payables |  |  | **6,288** | 6,564 |
| Current tax liabilities |  |  | **151** | 231 |
| Borrowings |  |  | **4,741** | 4,811 |
|  |  |  | **11,180** | 11,606 |
|  |  |  |  |  |
| **TOTAL EQUITY AND LIABILITIES** |  |  | **36,790** | 35,796 |
|  |  |  |  |  |

**Consolidated Statement of Changes in Equity**

*For the financial year ended 31 December 2020*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | **Share** | **Share**  | **Other** | **Treasury** | **Retained**  |  |
|  | **capital** | **premium** | **Reserves** | **shares** | **Earnings** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£’000** | **£'000**  | **£'000** |
| **At 1 January 2019** | **5,640** | **7,321** | **103** | **(563)** | **3,484** | **15,985** |
| Profit for the financial year | - | - | - | - | 1,841 | 1,841 |
| **Total comprehensive income for the financial year** | **-** | **-** | **-** | **-** | **1,841** | **1,841** |
| Transfer of treasury shares | - | - | - | 563 | (563) | - |
| Equity dividends paid | - | - | - | - | (449) | (449) |
| Foreign exchange gain | - | - | (124) | - | - | (124) |
|  |  |  |  |  |  |  |
| **Transactions with owners** | **-** | **-** | **(124)** | **563** | **(1,012)** | **(573)** |
| **At 31 December 2019** | **5,640** | **7,321** | **(21)** | **-** | **4,313** | **17,253** |
|  |  |  |  |  |  |  |
| Profit for the financial year | - | - | - | - | 1,437 | 1,437 |
| Foreign exchange gain | - | - | 162 | - | - | 162 |
| **Total comprehensive income for the financial year** | **-** | **-** | **162** | **-** | **1,437** | **1,599** |
| Equity dividends paid | - | - | - | - | - | - |
|  |  |  |  |  |  |  |
| **Transactions with owners** | **-** | **-** | **162** | **-** | **1,437** | **1,599** |
| **At 31 December 2020** | **5,640** | **7,321** | **141** | **-** | **5,750** | **18,852** |

**Consolidated Cash Flow Statement**

|  |  |  |  |
| --- | --- | --- | --- |
|  *for the financial year ended 31 December 2020* |  | **2020** | 2019 |
|  |  | **£’000** | £’000 |
| **Cash flow from operating activities** |  |  |  |
| Profit on continuing activities before taxation |  | **1,977** | 2,315 |
| Gain on biological assets |  | **(182)** | (107) |
| Foreign exchange (gain)/loss  |  | **(55)** | 97 |
| Loss on discontinued activities |  | **(71)** | (62) |
| Finance expenses |  | **316** | 349 |
| Finance income  |  | **(1)** | (1) |
| Depreciation – property, plant and equipment-net |  | **1,789** | 1,649 |
| **Operating cash flows before changes in working capital**  |  | **3,773** | 4,240 |
| **Changes in working capital and provisions:** |  |  |  |
| Decrease/(Increase) in inventories |  | **1,047** | (481) |
| Increase in trade and other receivables  |  | **(669)** | (607) |
| (Increase)/decrease in current assets held for sale |  | **(104)** | 47 |
| Decrease in current liabilities held for sale |  | **-** | (15) |
| (Decrease)/Increase in payables |  | **(276)** | 1,118 |
| **Net cash inflow from operations** |  | **3,771** | 4,302 |
|  |  |  |  |
| Interest paid  |  | **(316)** | (349) |
| Interest received |  | **1** | 1 |
| Taxation paid  |  | **(304)** | (406) |
| **Net cash generated from operating activities** |  | **3,152** | 3,548 |
| **Cash flow from investing activities** |  |  |  |
| Investment in intangible assets |  | **(705)** | (419) |
| Purchase of property, plant and equipment |  | **(1,741)** | (1,734) |
| Sale of biological assets |  | **346** | 209 |
| Purchase of biological assets |  | **(65)** | (324) |
| **Net cash used in investing activities** |  | **(2,165)** | (2,268) |
| **Cash flows from financing activities**Dividends paid to shareholders |  | **-** | (449) |
| Invoice finance payments |  | **(150)** | (502) |
| Lease liability capital repayments |  | **(845)** | (979) |
| Term loan advance |  | **-** | 300 |
| Lease liability advances |  | **882** | 271 |
| Term loan repayments |  | **(378)** | (410) |
| **Net cash outflow from financing activities** |  | **(491)** | (1,769) |
|  |  |  |  |
| **Net increase/(decrease) in cash and cash equivalents**  |  | **496** | (489) |
| Cash and cash equivalents beginning of the financial year  |  | **1,054** | 1,543 |
|  |  |  |  |
| Cash and cash equivalents end of the financial year |  | **1,550** | 1,054 |