SIMONDS FARSONS CISK PLC

INTERIM REPORT

SIX MONTHS ENDED 31 JULY 2021

FARSONS GROUP

Farsons

Simonds Farsons Cisk plc

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The Board of Directors presents herewith the interim unaudited results of the Farsons Group for the six months ended 31 July 2021.

The COVID-19 outbreak was first declared by WHO as a global pandemic on 11 March 2020. The results for the previous half year to 31 July 2020, were therefore heavily impacted by the restrictive measures necessarily mandated by Government in an effort to contain the outbreak. These measures included the closure of the airport between 21 March and 1 July 2020, and the shuttering of restaurants, bars and clubs for much of this period. All mass events were also cancelled. Therefore, the half year to 31 July 2020 only included six weeks of what would be regarded as "normal" trading.

In contrast, the six months under review to 31 July 2021 were all influenced by COVID-19 related restrictions, albeit of a different nature and severity. Whereas the airport remained open throughout the period, tourist traffic, whilst improving, has been slow to return due to various travel and quarantine restrictions that prevailed both in Malta and elsewhere. Tourist arrivals in the six months to July 2021 totalled 247,000 and 270,000 for the same period last year. These numbers compare with 1,394,000 arrivals during the six months to end July 2019 – indicative of the tremendous hit taken by the hospitality sector since March 2020.

On the domestic front, the current half year started with the gradual relaxation of certain restrictions affecting bars and restaurants but following a surge of cases early in the year, restrictions were reimposed on 4 March 2021, and remained in place until early May, following which these restrictions were gradually lifted in an incremental manner.

Government measures to assist and protect employment and combat the economic fallout of the pandemic in the form of the wage supplement were introduced in March of 2020 and have been extended with various amendments to beyond the end of the period to 31 July 2021.

Therefore, whereas the full six months of the current period were influenced by COVID-19 related factors, these were less severe than those that were in force for much of the equivalent period of the previous year. Furthermore, whereas in 2020 COVID-19 hit our (and other) businesses like a bolt from the blue, by the current year we have learned better how to combat the many and varied challenges posed by the pandemic. Thus, greater flexibility in production and distribution practices as well as cost containment measures (particularly on fixed costs) implemented at short notice last year remain in place; the destocking (at discounted prices) that took place last year in response to the precipitous fall in sales has not had to be repeated. The gradual return of tourists, a trend that has continued through August and September (although still at well below 2019 levels) have contributed to turnover levels trending upwards. Furthermore, our early efforts in responding to the fast-changing dynamics of the retail and at-home markets have contributed to the improved results. In our Food Chain businesses, we have responded to the emergence and influence of the aggregators, and the investment that we had made in our drive-thru outlets have been timely. Taken together, the increase in turnover, cost controls, streamlined operational practices and the continuation of the wage supplement have combined to produce improved margins across all our business sectors.

The Group registered a turnover of €41.6 million during the first six months of the current financial year, a 13% improvement over the same period of last year, during which turnover totalled €36.8 million. Increased turnover was experienced across all our business sectors, being most pronounced in our franchised food operations, where almost all outlets were closed for much of the prior year period. Profit before tax for the period amounted to €5.2 million compared with €1.6 million for the equivalent period last year, resulting from the improved operating margins referred to above.

Earnings per share attributable to shareholders improved from €0.053c in the first half of FY2021 to €0.163c in the comparative period of FY2022.

Investments

The Farsons Group continued to monitor and curtail capital investments during this reporting period, retaining only those investments deemed essential for ongoing projects and product development that ensure the Group retains its innovative and ultimately competitive edge.

The major investment currently being undertaken by the Group is the restoration and rehabilitation of the Old Brewhouse. This landmark regeneration project to be known as The Brewhouse, is now set for completion by the end of this year with a gradual opening of the various facilities to the public at the start of the New Year.

The Board of Directors has recognised the need to set up a dedicated subsidiary company to be named The Brewhouse Co Ltd, with a separate Board and management structure which will be entrusted with the governance and operational function of the management and upkeep of the rehabilitated Old Brewhouse. The significant investment in this iconic building, the microbrewery, the visitors' attraction centre and the entire new experience which will come on stream with the completion of the project will be managed through The Brewhouse Co Ltd.

Business outlook

It would seem that COVID-19 is here to stay for a while. However, it is also becoming clearer that both the public health and business sectors are better equipped to deal with the pathogen – not least thanks to the efficacy of the vaccines and the efficiency with which the inoculation programmes have been rolled out across Europe and elsewhere. Outbreaks of infections will continue to occur from time to time and in place to place – but public health administrations have demonstrated an ability to respond quickly so as to bring such outbreaks under control. As a result, the general public is learning to live with COVID-19, and this has led to an improvement in business confidence. This having been said, uncertainty remains, and continuing vigilance is required. Complacency and "COVID-19 fatigue" are real dangers and must not be allowed to set in.

This uncertainty notwithstanding, the Board is cautiously optimistic that the gradual recovery of the food and beverage market for the local and tourism sectors currently being experienced will be sustained. The Board believes that the Group is well placed to achieve the anticipated profitability for the full year to 31 January 2022 (FY2022) as set out in the Financial Analysis Summary that was published on 21 July 2021. Looking further forward, a looming threat is growing evidence of sustained inflationary pressures building, with significant price increases being experienced across a wide range of raw materials, products and services, including particularly sharp increases in shipping costs.

Dividends

The challenges and uncertainties posed by COVID-19 has meant that the Board has not felt able to propose the payment of a dividend to shareholders since the interim dividend of €1.0 million (equivalent to €0.0333 per share) that was declared in September 2019.

As stated in our FY 2021 Annual Report, our shareholders represent one of the vitally important stakeholders in our business. Over the years shareholders have provided millions of euros of capital to the Farsons Group, particularly through the adoption of prudent profit retention and dividend distribution policies, without which it would not have been possible for the Group to have undertaken the very substantial capital investment programmes that have resulted in our having the state-of-the-art brewing, manufacturing, bottling and logistical operations that we have today.

Shareholders are compensated for the capital that they invest in a business through the periodic distribution of dividends. Decisions to defer or suspend the declaration of regular dividends have therefore only been taken by the Board after the most careful consideration. Given the uncertainty that had prevailed as a result of the pandemic, the impact on our businesses and the resulting lack of forward visibility, the Board has not felt able to recommend the declaration of a dividend since September 2019.

Although challenges certainly remain, the Board believes that there exist grounds for cautious optimism of a gradual improvement in business sentiment. As noted in this report, the results for the first six months of the current financial year have shown a marked improvement over those for the previous (half) year, and the business levels experienced in August and September (to date) have been encouraging. With total shareholders' equity amounting to €125 million, the Group has very substantial retained profits brought forward from prior years. Furthermore, the Group's gearing and liquidity positions are very solid as a result of the cash conservation measures taken over the past 18 months. Accordingly, the Board has resolved to declare an interim dividend to shareholders from retained profits amounting to €1.5 million, equivalent to €0.05 per share, which dividend will be distributed on 20 October 2021 to the ordinary shareholders who will be on the Register of Members of the company as at 6 October 2021. Furthermore, the Board will continue to monitor trading results, and if these continue to improve will consider the declaration of a modest second interim dividend before the end of the current calendar year.

Statement Pursuant to Listing Rule 5.75.3 issued by the Listing Authority

We hereby confirm that to the best of our knowledge:

- The condensed interim financial information gives a true and fair view of the financial position of the Group as at 31 July 2021, and of its financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim Financial reporting (IAS34); and
- The Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Louis Farrugia

Louis A. Farrugia

Chairman

Marcantonio Stagno d'Alcontres

Vice–Chairman

29 September 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2021

	Group	
	31 July 2021 (unaudited)	31 January 2021 (audited)
	€'000	€'000
Assets		
Non-current assets	**138,100**	136,504
Current assets	**57,688**	50,535
Total assets	**195,788**	187,039
Equity and Liabilities		
Capital and reserves attributable to owners of the company	**124,592**	119,654
Non-current liabilities	**38,950**	40,705
Current liabilities	**32,246**	26,680
Total liabilities	**71,196**	67,385
Total equity and liabilities	**195,788**	187,039

CONDENSED CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 31 JULY 2021

	Group	
	31 July 2021 (unaudited)	31 July 2020 (unaudited)
	€'000	€'000
Revenue	**41,624**	36,787
Gross profit	**15,028**	12,662
Operating profit	**5,802**	2,224
Finance costs	**(614)**	(637)
Profit before tax	**5,188**	1,587
Tax expense	**(304)**	–
Profit for the period	**4,884**	1,587
Earnings per share	**0.163**	0.053

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 31 JULY 2021

	Group	
	31 July 2021 (unaudited)	31 July 2020 (unaudited)
	€'000	€'000
Profit for the period	**4,884**	1,587
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	**54**	52
Other comprehensive income for the period	**54**	52
Total comprehensive income for the period	**4,938**	1,639

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 31 JULY 2021

	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000
Period ended 31 July 2021					
Balance at 1 February 2021	9,000	(206)	49,409	61,451	119,654
Comprehensive income					
Profit for the six months ended 31 July 2021	–	–	–	4,884	4,884
Cash flow hedges net of deferred tax	–	54	–	–	54
Balance at 31 July 2021	**9,000**	**(152)**	**49,409**	**66,335**	**124,592**
Period ended 31 July 2020					
Balance at 1 February 2020	9,000	(304)	49,409	58,118	116,223
Comprehensive income					
Profit for the six months ended 31 July 2020	–	–	–	1,587	1,587
Cash flow hedges net of deferred tax	–	52	–	–	52
Balance at 31 July 2020	**9,000**	**(252)**	**49,409**	**59,705**	**117,862**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 31 JULY 2021

	Group	
	31 July 2021 (unaudited)	31 July 2020 (unaudited)
	€'000	€'000
Net cash generated from operating activities	**5,124**	9,043
Net cash used in investing activities	**(7,079)**	(6,827)
Net cash generated from/(used in) financing activities	**(1,943)**	1,167
Net movement in cash and cash equivalents	**(3,898)**	3,383
Cash and cash equivalents at beginning of period	**17,148**	1,796
Cash and cash equivalents at end of period	**13,250**	5,179

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. This report is being published pursuant to the terms of Chapter 5 of the Listing Rules and the Prevention of Financial Markets Abuse Act 2005.
2. The financial information being published has been extracted from the Simonds Farsons Cisk plc's unaudited interim financial statements for the six months ended 31 July 2021, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 – Interim Financial Reporting). In terms of Listing Rule 5.75.5, this interim report has not been audited by the Group's independent auditors.
3. The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 January 2021.
4. The Group's operations consist of the brewing, production and sale of beer and branded beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, and the operation of franchised food retailing establishments. These operations are carried out, primarily, on the local market. An analysis by business segment of the Group's turnover and operating profit is set out on page 9.

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Group
	€'000	€'000	€'000	**€'000**
Period ended 31 July 2021				
Revenue	24,271	15,086	6,275	**45,632**
Less: inter-segmental sales	(888)	(3,120)	-	**(4,008)**
	23,383	11,966	6,275	**41,624**
Segment results	3,521	1,391	890	**5,802**
Net finance costs				**(614)**
Profit before tax				**5,188**
Tax expense				**(304)**
Profit for the period				**4,884**
Period ended 31 July 2020				
Revenue	22,654	12,979	4,183	**39,816**
Less: inter-segmental sales	(818)	(2,211)	-	**(3,029)**
	21,836	10,768	4,183	**36,787**
Segment results	1,905	281	38	**2,224**
Net finance costs				**(637)**
Profit before tax				**1,587**
Tax expense				**-**
Profit for the period				**1,587**

5. Earnings per share is based on the profit after tax attributable to the ordinary shareholders of Simonds Farsons Cisk p.l.c. divided by the weighted average number of ordinary shares in issue during the period and ranking for dividend.

6. Capital expenditure not provided for in these condensed financial statements amounting to €8.4 million, comprising the restoration and rehabilitation of the Old Brewhouse. During the reporting period, the Group's capital expenditure and included in these condensed financial statements amounted to €6.2 million. No additional or material changes were registered in assets classified under Right-of-use assets. During this reporting period, there were no changes in the carrying fair value or the valuation processes and techniques adopted for the valuation of property as at 31st January 2021.

SIMONDS FARSONS CISK PLC

INTERIM REPORT

SIX MONTHS ENDED 31 JULY 2021

FARSONS GROUP

Farsons

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