



FARSONS GROUP

Farsons

Simonds Farsons Cisk Plc

Interim Report

SIX MONTHS ENDED
31 JULY 2023





SIMONDS FARSONS CISK PLC

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ended **31 July 2023**

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INTERIM DIRECTORS' REPORT

31 JULY 2023

TRADING PERFORMANCE

The Board of Directors presents herewith the interim unaudited results of the Farsons Group for the six months ended 31 July 2023.

The first six months of the current financial year has seen a continuing growth in turnover across all business sectors. However (as was envisaged in the January 2023 Annual Report), at the same time the Group has witnessed sustained compression of margins resulting from a combination of the impact of higher input costs, a continuing tightness in the labour market (and accompanying wage inflation) as well as cost of living pressures on household budgets.

Group turnover for the six months was up 13.8% at €65.2 million (2022: €57.3 million). Profit before tax for the period amounted to €8.1 million (2022: €7.8 million) reflecting the pressure on margins referred to above. Turnover in the Franchised food operations was particularly strong, with an increase of 33% over the previous year. However, this sector is experiencing a significant change to its business model with a growing aggregator participation responding to higher delivery/take home demand. On the cost side the sector has seen higher than inflation input costs and real shortages in the labour market. Importation of food and beverages (including wines and spirits) has grown strongly with an increase in turnover of 13.3%, and a shift in sales amongst customer groups and sales mix has enabled margins to be maintained. Sales in the core brewing, production and sale of beers and branded beverages sector grew by 8.7% in highly competitive market conditions along with ongoing concerns relating to illicit importation. This sector's results for the period have been impacted by the costs incurred during the initial start-up phases of the amenities housed in the Brewhouse.

In summary, whereas demand for the Group's products remains strong, assisted by a resurgent tourism sector - margin compression remains a challenge and a market reality. Management's focus has therefore been on

efficiency, innovation and cost containment measures. The Group is actively monitoring its operational procedures to control both production and administrative costs, with the goal of restoring margins. As was stated in the January 2023 Directors' Report, "market pressures are such that it is not possible (or indeed desirable) to pass on all increases to the consumer, where the higher cost of living is a reality that is driving choice."

Earnings per share attributable to shareholders improved by 7% from €0.195c in the first half of FY2023 to €0.209c in the comparative period of FY2024, based on the 36 million shares in issue.

INVESTMENTS

The Group celebrated a significant milestone in June 2023 with the inauguration of its latest major investment, the restoration of the former Farsons Old Brewhouse. The operational management of this substantial undertaking has been entrusted to a dedicated subsidiary, overseen by a committed and focused executive team.

This newly restored facility is a unique venue that not only serves as a functional operational space but also incorporates a Brewery Visitor Experience, offering a captivating journey through the storied history of the Farsons Group. All the food and beverage outlets and facilities within this venue are now open for business and have been receiving increasing patronage from both Malta's residents and visiting tourists alike. The expectation is that business levels in the Brewhouse amenities will ramp up gradually and will also benefit from the growing occupancy levels at Trident Park. Furthermore, the Brewhouse will support the standing and ongoing promotion of the Group's iconic brands.

With the successful completion of the major Old Brewhouse project, the Group is now turning its attention to addressing logistical and storage capacity constraints within its Beverages operations.

In-depth studies have been undertaken to develop a fully automated returnable packages logistics facility within the existing footprint of the Mriehel production facility.

A planning application is currently in progress and this initiative represents another significant capital investment aimed at substantially improving the efficiency and cost-effectiveness of our Beverages operation. The Group is committed to enhancing its logistical capabilities to meet the growing demands of its beverage segment and ensure continued excellence in its services.

In addition to the ongoing projects, the Group has embarked on the planning process for a significant investment in the Foods sector. This endeavour involves the development of a new complex encompassing warehousing facilities, offices, and a state-of-the-art logistics center situated in Handaq, Qormi, utilizing land that already forms part of the Group's portfolio. The objective of this substantial investment is to furnish the food segment with specialized warehousing and logistics capabilities. This infrastructure will play a pivotal role in enabling the segment to efficiently expand its existing portfolio and meet the growing demands of its operations.

BUSINESS OUTLOOK

The Group has demonstrated strong growth in turnover and a modest increase in profitability during the first six months of this financial year. As indicated above, the period was characterised by high demand that was accompanied by inflationary pressures, intensifying competition both domestically and internationally, a tight labour market, and ongoing pressures on consumer spending power. These factors are expected to continue shaping the commercial environment in which the Group operates through the second half of the financial year. Although supply chains are improving and inflation is moderating, the latter is doing so at an elevated level. Management's challenge is to respond positively to containing these cost pressures through enhanced operational and other efficiencies across all sectors, as well as responding positively to changing market demands by anticipating and adapting to evolving consumer preferences.

In this challenging environment, the Group's commitment to maintaining growth and delivering adequate profits to its shareholders is unwavering. The focus on adaptability and agility is key to navigating the complexities of the current economic landscape. The Board of Directors together with the management team, maintains a cautious yet optimistic outlook for the remainder of the current financial year.

DIVIDENDS

The Board of Directors, in light of the Group's sustained overall performance, has resolved to declare an interim dividend. This dividend, amounting to €0.05 per ordinary share, is equivalent to €1.8 million and will be distributed from tax-exempt profits. Shareholders who hold ordinary shares as of the close of business on Wednesday, 4 October 2023, will be eligible to receive this dividend. The distribution of the dividend is scheduled for Wednesday, 18 October 2023.

STATEMENT PURSUANT TO CAPITAL MARKETS 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 2023, 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 Capital Markets Rules 5.81 to 5.84.

Luis Farrugia

Louis A. Farrugia

Chairman

27 September 2023

Marcantonio Stagno d'Alcontres

Vice-Chairman

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2023

	Group	
	31 July 2023 (unaudited)	31 January 2023 (audited)
	€'000	€'000
Assets		
Non-current assets	149,792	153,455
Current assets	71,658	61,629
Total assets	221,450	215,084
Equity and Liabilities		
Capital and reserves attributable to owners of the company	142,725	139,167
Non-current liabilities	31,591	34,354
Current liabilities	47,134	41,563
Total liabilities	78,725	75,917
Total equity and liabilities	221,450	215,084

CONDENSED CONSOLIDATED INCOME STATEMENT

PERIOD ENDED 31 JULY 2023

	Group	
	31 July 2023 (unaudited)	31 July 2022 (unaudited)
	€'000	€'000
Revenue	65,230	57,313
Gross profit	24,969	22,360
Operating profit	8,750	8,466
Finance costs	(671)	(693)
Profit before tax	8,079	7,773
Tax expense	(561)	(767)
Profit for the period	7,518	7,006
Earnings per share	0.209	0.195

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PERIOD ENDED 31 JULY 2023

	Group	
	31 July 2023 (unaudited)	31 July 2022 (unaudited)
	€'000	€'000
Profit for the period	7,518	7,006
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	-	67
Other comprehensive income for the period	-	67
Total comprehensive income for the period	7,518	7,073

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PERIOD ENDED 31 JULY 2023

	Group				
	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000
Period ended 31 July 2023					
Balance at 1 February 2023	10,800	27	49,409	78,931	139,167
Comprehensive income					
Profit for the six months ended 31 July 2023	-	-	-	7,518	7,518
Transactions with owners					
Dividends	-	-	-	(3,960)	(3,960)
Balance at 31 July 2023	10,800	27	49,409	82,489	142,725
Period ended 31 July 2022					
Balance at 1 February 2022	9,000	(100)	49,409	70,879	129,188
Comprehensive income					
Profit for the six months ended 31 July 2022	-	-	-	7,006	7,006
Cash flow hedges net of deferred tax	-	67	-	-	67
Transactions with owners					
Bonus Issue	1,800	-	-	(1,800)	-
Dividends	-	-	-	(4,000)	(4,000)
Balance at 31 July 2022	10,800	(33)	49,409	72,085	132,261

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD ENDED 31 JULY 2023

	Group	
	31 July 2023 (unaudited)	31 July 2022 (unaudited)
	€'000	€'000
Net cash generated from operating activities	71	1,548
Net cash used in investing activities	(1,849)	(2,362)
Net cash used in financing activities	(5,698)	(5,611)
Net movement in cash and cash equivalents	(7,476)	(6,425)
Cash and cash equivalents at beginning of period	9,314	15,366
Cash and cash equivalents at end of period	1,838	8,941

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. This report is being published pursuant to the terms of Chapter 5 of the Capital Markets Rules.
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 2023, 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 Capital Markets 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 2023.
4. The Group's operations consist of the brewing, production and sale of branded beers and beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, and the operation of franchised food retailing establishments, as well as independent food and beverage retail outlets and a visitors centre. 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 below:

	Brewing, production and sale of beer and branded beverages	Importation, wholesale and retail of food & beverages including wines & spirits	Operation of franchised food retailing establishments	Group
	€'000	€'000	€'000	€'000
Period ended 31 July 2023				
Revenue	36,090	24,229	11,930	72,249
Less: inter-segmental sales	(1,492)	(5,527)	-	(7,019)
	34,598	18,702	11,930	65,230
Segment results	5,144	2,706	900	8,750
Net finance costs				(671)
Profit before tax				8,079
Tax expense				(561)
Profit for the period				7,518
Period ended 31 July 2022				
Revenue	33,001	20,997	8,982	62,980
Less: inter-segmental sales	(1,174)	(4,493)	-	(5,667)
	31,827	16,504	8,982	57,313
Segment results	5,413	2,190	863	8,466
Net finance costs				(693)
Profit before tax				7,773
Tax expense				(767)
Profit for the period				7,006

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.



FARSONS GROUP

Farsons

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