SIMONDS FARSONS CISK PLC

INTERIM REPORT

SIX MONTHS ENDED 31 JULY 2019

FARSONS GROUP
Farsons

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INTERIM DIRECTORS' REPORT

TRADING PERFORMANCE

The Board of Directors presents the results of the Farsons Group for the six-month period ended 31 July 2019. The first half of the year yielded a positive overall performance across the Group in terms of both turnover and profitability.

Group turnover increased by 4% over last year reaching a level of €53.3 million. The continuous capital investment over the years has yielded the desired growth in operating profit which increased by €437,000 or 6% over the previous period. The increase in finance costs resulted from the implementation of IFRS 16 (as disclosed in note 4), whilst interest costs remained at the same levels of the previous year. Profit after tax for the period at €6.4 million, exceeded last year's figure by 4.7%. Earnings per share increased by 4.4% to €0.213 for the six-month period.

The Group registered an increase of 2.3% in its segmental result for the brewing, production and sales of beer and branded beverages. Revenue from this segment represents 54% of the Group's turnover. Competition in this market segment of business continues to be acute both in terms of new imported brands as well as from pricing challenges.

The beverage and food importation segment registered an improved contribution to profit of 10.3% on an increase of 1.2% in turnover. The operation of the franchised food retailing establishments maintained the steady growth experienced in recent years, with increases in turnover and segment results of 8.6% and 23% respectively. This growth was registered across the 14 outlets operated by Food Chain Ltd.

The Group registered a marked improvement of 11% over the previous year in its Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). The EBITDA for the first six months of the year amounted to €12.3 million – an increase of €1.2 million. The uplift during this period arose from the improved results and cash flow together with the impact of the implementation of IFRS 16, which contributed a 5% growth to EBITDA.

INVESTMENTS

The Farsons Group continues with its capital investment programme which has enabled it to consistently provide high quality products to its customers, facilitate innovation and ensure that its operational practices contribute to a greener environment. During the first six months of this financial year, the Company invested in a more environmentally friendly car and truck fleet, together with additional investments in energy-efficient plant.

The most significant investment currently being undertaken by Farsons is the restoration and rehabilitation of the iconic Farsons Old Brewhouse. This landmark regeneration project is well underway and on track for the targeted completion date of the first quarter of 2021. The project will provide a Visitor Experience, a Microbrewery, a Brewpub, a Cisk bar, a food court and multiple indoor and outdoor event areas for both business and leisure activities.

BUSINESS OUTLOOK

The Group's sustained investments in its operational assets and human resources over the past years have resulted in a steady growth in both turnover and profitability. The Group remains focussed on continuous improvement in its product offering and ways of working, whilst remaining vigilant to the rapidly changing market environment. The interim results for this half year reflect yet another financial period of positive financial trends for the Group despite growing competitive pressures across all business lines coupled with unfavourable weather conditions in the earlier months of the year.

The government's commitment to implement the Beverage Container Refund Scheme (BCRS) presents challenges for the beverage industry. Farsons, along with other interested parties, is taking a leading role to secure the most effective outcome following the introduction of the Scheme. The Directors reaffirm their commitment to focus on internationalising the business and remain cautiously optimistic of the growth potential in existing and new export markets. Changing trends in the tourist market and in consumer spending patterns will continue to be important challenges for the Group, as will the maintenance of equitable market conditions that ensure a level playing field for all operators in the sector. The Directors recognise that the long-term investment strategy deployed over the years will continue to prove beneficial in providing the diversified high quality product mix sought by our customers in an efficient, competitive and profitable manner.

DIVIDENDS

On 25 June 2019, following approval at the Annual General Meeting, the Company paid a final dividend to the ordinary shareholders out of tax-exempt profits of €3 million in respect of the financial year ended 31 January 2019.

The Board of Directors is declaring a net interim dividend of €1 million (2018: €1 million) in respect of the financial year ending 31 January 2020, payable on 16 October 2019 to the ordinary shareholders who will be on the Register of Members of the Company as at 2 October 2019. The interim dividend will be paid out of tax exempt profits and is equivalent to €0.0333 (2018: €0.0333) per share.

STATEMENT PURSUANT TO LISTING RULE 5.75.3 ISSUED BY THE LISTING AUTHORITY

I hereby confirm that to the best of my knowledge:

- The condensed interim financial information gives a true and fair view of the financial position of the Group as at 31 July 2019, 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

25 September 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2019

	Group	
	31 July 2019 (unaudited)	31 January 2019 (audited)
	€'000	€'000
ASSETS		
Non-current assets	**136,449**	127,553
Current assets	**48,817**	43,443
Total assets	**185,266**	170,996
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the company	**111,670**	108,273
Non-current liabilities	**41,479**	36,086
Current liabilities	**32,117**	26,637
Total liabilities	**73,596**	62,723
Total equity and liabilities	**185,266**	170,996

CONDENSED CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 31 JULY 2019

	Group	
	31 July 2019 (unaudited)	31 July 2018 (unaudited)
	€'000	€'000
Revenue	**53,272**	51,241
Gross profit	**21,477**	21,088
Operating profit	**7,645**	7,208
Finance costs	**(729)**	(636)
Profit before tax	**6,916**	6,572
Tax expense	**(519)**	(463)
Profit for the period	**6,397**	6,109
Earnings per share	**€0.213**	€0.204

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 31 JULY 2019

	Group	
	31 July 2019 (unaudited)	31 July 2018 (unaudited)
	€'000	€'000
Profit for the period	**6,397**	6,109
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	–	75
Other comprehensive income for the period	**–**	75
Total comprehensive income for the period	**6,397**	6,184

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 31 JULY 2019

	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total
Group	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Period ended 31 July 2019					
Balance at 1 February 2019	9,000	(385)	49,409	50,249	108,273
Comprehensive income					
Profit for the six months ended 31 July 2019	–	–	–	6,397	6,397
Transactions with owners					
Dividends	–	–	–	(3,000)	(3,000)
Balance at 31 July 2019	**9,000**	**(385)**	**49,409**	**53,646**	**111,670**
Period ended 31 July 2018					
Balance at 1 February 2018	9,000	(495)	49,409	38,718	96,632
Comprehensive income					
Profit for the six months ended 31 July 2018	–	–	–	6,109	6,109
Cash flow hedges net of deferred tax	–	75	–	–	75
Transactions with owners					
Dividends	–	–	–	(2,600)	(2,600)
Balance at 31 July 2018	**9,000**	**(420)**	**49,409**	**42,227**	**100,216**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 31 JULY 2019

	Group	
	31 July 2019 (unaudited)	31 July 2018 (unaudited)
	€'000	€'000
Net cash generated from operating activities	**5,719**	3,843
Net cash used in investing activities	**(7,787)**	(4,210)
Net cash (used in)/generated from financing activities	**(4,192)**	907
Net movement in cash and cash equivalents	**(6,260)**	540
Cash and cash equivalents at beginning of period	**5,719**	(2,492)
Cash and cash equivalents at end of period	**(541)**	(1,952)

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 2019, 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 2019.

   A number of new or amended standards became applicable for the current reporting period. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases. The impact of the adoption of this standard and the new accounting policy are disclosed in Note 4 below. The other standards did not have a material impact on the Group's accounting policies and did not require retrospective adjustments.

4. The Group has adopted IFRS 16 using the modified retrospective approach from 1 February 2019, and has not restated comparatives for the 31 January 2019 reporting period, as permitted under the specific transitional provisions in the standard.

   The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening financial position on 1 February 2019.

   a. Adjustments recognised on adoption of IFRS 16

   On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate as of 1 February 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 February 2019 was 4.0%.

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The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on 1 February 2019:

- right-of-use assets (presented under non-current assets) – increase by €7.5 million
- lease liabilities (presented under non-current liabilities) – increase by €7.5 million

b. The Group's leasing activities and how these are accounted for

Until 31 January 2019, property leases were classified as operating leases. Payments made under operating leases were charged to income statement over the period of the lease.

From 1 February 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5. 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 below:

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	Brewing, production and sale of beer & branded 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 2019				
Revenue	30,066	18,806	8,668	**57,540**
Less: inter-segmental sales	(1,216)	(3,052)	-	**(4,268)**
	28,850	15,754	8,668	**53,272**
Segment results	6,061	1,863	865	**8,789**
Unallocated costs				**(1,144)**
Operating profit				**7,645**
Net finance costs				**(729)**
Profit before tax				**6,916**
Tax expense				**(519)**
Profit for the period				**6,397**
Period ended 31 July 2018				
Revenue	28,692	18,574	7,984	**55,250**
Less: inter-segmental sales	(1,155)	(2,854)	-	**(4,009)**
	27,537	15,720	7,984	**51,241**
Segment results	5,923	1,689	702	**8,314**
Unallocated costs				**(1,106)**
Operating profit				**7,208**
Net finance costs				**(636)**
Profit before tax				**6,572**
Tax expense				**(463)**
Profit for the period				**6,109**

6. 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.

7. The board has approved capital expenditure not provided for in these condensed financial statements amounting to €20 million, comprising the rehabilitation of the old brewhouse and other operational capex.

Simonds Farsons Cisk plc

Interim Report **2019**

SIX MONTHS ENDED 31 JULY 2019

"A history of creating and nurturing world-class brands, which inspire the trust and loyalty of consumers"

FARSONS GROUP

Farsons

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