Simonds Farsons Cisk plc

Interim Report 2018

SIX MONTHS ENDED 31 JULY 2018

FARSONS GROUP
Farsons

INTERIM DIRECTORS' REPORT

TRADING PERFORMANCE

The Board of Directors is pleased to present the results of the Farsons Group for the six months ended 31 July 2018.

The Investments carried out by the Group over the past decade are yielding the improved results being presented in this interim period. The Group's increased capability of meeting customers demand both in terms of quantity and diversification of products and packaging have benefited the results achieved.

Group turnover exceeded €51 million, an increase of 4.1% over last year. Operating profit increased by €370,000 or 5.4%, whilst profit after tax for the period from continuing operations, at €6.1 million, exceeding last year's figure by 6.9%.

The Group registered an increase of 2.8% in its segmental result for the brewing, production and sales of beer and branded beverages. This highly competitive area of business represents just under 54% of the Group's turnover and ongoing improvements in the ways of working continue to dominate the level of investments made by the Group.

The Group's beverage and food importation companies registered an improved contribution to profit of 19.8% together with an increase of 5.5% in turnover. The operation of franchised food retailing establishments maintained the steady growth with an increase in turnover of 3.5% and an increase of 5% in the segment's result. This growth was registered across the 14 restaurants operated by Food Chain Ltd.

The interim results for this period represent the first reporting period following the spin-off of Trident Estates plc as a separate listed entity, which was transferred to the shareholders of Simonds Farsons Cisk through the distribution of a dividend "in kind" of €37,211,000 in December 2017. The results from this discontinued operation in July 2017 amount to €62,000.

The positive performance across all segments within the Group has yielded improved results when compared to the robust results registered in previous years. Earnings per share increased by 5.7% to €0.204 for the six-month period.

INVESTMENTS

Farsons has over the past decade maintained an aggressive investment programme that has enabled the transformation of the brewery, packaging facilities, logistics centre and its corporate offices. Following the commissioning of a new state of the art kegging plant and the extension of the logistics centre earlier on this year, Farsons will continue to invest to ensure excellence in performance and enhance its competitive position.

Investment in the transformation of the Old Brewhouse into a visitor's attraction centre and the creation of a micro-brewery which will enable more efficient product innovation is in the final stages of evaluation. It is expected that investment into this new project will commence in the next few months. This attraction will enhance Farsons' product offering and will be complemented with food and beverage outlets.

BUSINESS OUTLOOK

The Group has over recent years maintained a steady growth in both its revenue and profitability, whilst continuing to invest in its operational assets and human resources. The interim result for this year reflects this continuing trend despite growing competitive pressures in all sectors. Innovation, in a market which continues to experience changing consumer preferences and greater awareness to health, wellness and the environment, is key to maintain the Group's strategic growth. Resilience to the changing market conditions built upon continuous investments and ability to respond to the market requirements is a key focus for all the operations of the Group. Government's announcement that the Beverage Container Refund Scheme (BCRS) will be implemented towards the end of 2019 presents challenges for the beverage industry. Farsons is in active discussion with all interested parties in order to better understand and manage the introduction of the BCRS. The Directors reaffirm their direction to focus on internationalising the business, and remain cautiously optimistic of the growth potential in existing and new markets. In spite of growing competitive and cost pressures, the results for

the first six months are indeed encouraging and the Group remains focused on continuing to deliver growth, although the Board of Directors is conscious that maintaining growth at recent levels will be challenging given the competitive environment in which the Group operates.

DIVIDENDS

On 21 June 2018, following approval at the Annual General Meeting, the Company paid a final dividend to the ordinary shareholders, out of tax-exempt profits of €2.6 million in respect of the financial year ended 31 January 2018.

The Board of Directors is recommending a net interim dividend of €1 million

(2017: €1 million) in respect of the financial year ending 31 January 2019, payable on 10 October 2018 to the ordinary shareholders who will be on the Register of Members of the Company as at 26 September 2018. The interim dividend will be paid out of tax exempt profits and is equivalent to €0.0333 (2017: €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 2018, 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
19 September 2018

CONDENSED CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 31 JULY 2018

	Group	
	31 July 2018 (unaudited)	31 July 2017 (unaudited)
	€'000	€'000
Continuing operations:		
Revenue	**51,241**	49,205
Gross profit	**21,088**	19,708
Operating profit	**7,208**	6,838
Finance costs	**(636)**	(768)
Profit before tax	**6,572**	6,070
Tax expense	**(463)**	(354)
Profit for the period from continuing operations	**6,109**	5,716
Discontinued operations:		
Profit for the period from discontinued operations	**-**	62
Profit for the period	**6,109**	5,778
Earnings per share	**€0.204**	€0.193

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 31 JULY 2018

	Group	
	31 July 2018 (unaudited)	31 July 2017 (unaudited)
	€'000	€'000
Profit for the period	**6,109**	5,778
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	75	115
Other comprehensive income for the period	**75**	115
Total comprehensive income for the period	**6,184**	5,893

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2018

	Group	
	31 July 2018 (unaudited)	31 January 2017 (audited)
	€'000	€'000
ASSETS		
Non-current assets	**123,754**	117,993
Current assets	**42,111**	33,682
Total assets	**165,865**	182,941
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the company	**100,216**	123,271
Non-current liabilities	**37,483**	33,236
Current liabilities	**28,166**	24,297
Total liabilities	**65,649**	59,670
Total equity and liabilities	**165,865**	182,941

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 31 JULY 2018

	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total
Group	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
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**
Period ended 31 July 2017					
Balance at 1 February 2017	9,000	(705)	59,146	55,830	123,271
Comprehensive income					
Profit for the six months ended 31 July 2017	–	–	–	5,778	5,778
Cash flow hedges net of deferred tax	–	115	–	–	115
Transactions with owners					
Dividends	–	–	–	(2,400)	(2,400)
Balance at 31 July 2017	**9,000**	**(590)**	**59,146**	**59,208**	**126,764**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 31 JULY 2018

	Group	
	31 July 2018 (unaudited)	31 July 2017 (unaudited)
	€'000	€'000
Net cash generated from operating activities	**3,843**	7,878
Net cash used in investing activities	**(4,210)**	(6,269)
Net cash (used in)/generated from financing activities	**907**	(2,587)
Net movement in cash and cash equivalents	**540**	(978)
Cash and cash equivalents at beginning of period	**(2,492)**	(1,342)
Cash and cash equivalents at end of period	**(1,952)**	(2,320)

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 publishedhas been extracted from the Simonds Farsons Cisk plc's unaudited interim financial statements for the six months ended 31 July 2018, 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 2018, updated for the adoption of new or amended standards. A number of new or amended standards became applicable for the current reporting period and the Group has adopted the following standards:

   IFRS 9 'Financial Instruments', and

   IFRS 15 'Revenue from contracts with customers'

   The impact of the adoption of these standards did not have any material impact on the Group's performance and recognised assets and liabilities and did not require retrospective adjustments.

   New standards not yet effective during the period

   IFRS 16 will take effect on 1 January 2019, but the Group would be obliged to adopt the standard in the financial year starting 1 February 2019. The standard requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain leases whose term is of not more than one year, as well as leases of low-value assets. The Group's senior management is presently assessing the impact of the standard.

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, the operation of franchised food retailing establishments and property management. 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:

...continued

	Brewing, production and sale of beer & branded beverages	Importation, wholesale & retail of food & beverages including wines & spirits	Operation of franchised food retailing establishments	Property management	Group
	€'000	€'000	€'000	€'000	€'000
Period ended 31 July 2018					
Revenue	28,665	18,574	7,984	27	**55,250**
Less: inter-segmental sales	(1,155)	(2,854)	–	–	**(4,009)**
	27,510	15,720	7,984	27	**51,241**
Segment results	5,886	1,689	702	37	**8,314**
Unallocated costs					**(1,106)**
Operating profit from continuing activities					**7,208**
Net finance costs					**(636)**
Profit before tax					**6,572**
Tax expense					**(463)**
Profit for the period					**6,109**
Period ended 31 July 2017					
Revenue	27,663	17,550	7,715	27	**52,955**
Less: inter-segmental sales	(1,104)	(2,646)	–	–	**(3,750)**
	26,559	14,904	7,715	27	**49,205**
Segment results	5,724	1,410	668	2	**7,804**
Unallocated costs					**(966)**
Operating profit from continuing activities					**6,838**
Net finance costs					**(768)**
Profit before tax					**6,070**
Tax expense					**(354)**
Profit from continuing operations					**5,716**
Profit from discontinued operations	–	–	–	62	**62**
Profit for the period					**5,778**

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

Simonds Farsons Cisk plc

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FARSONS GROUP

Farsons

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