SIMONDS FARSONS CISK PLC

INTERIM REPORT

SIX MONTHS ENDED 31 JULY 2020

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 2020.

The first half of the year has been heavily impacted by the events brought about by the COVID- 19 outbreak, which was declared a global pandemic by the World Health Organisation (WHO) on the 11th March 2020. This declaration and the ensuing economic downturn have had a major impact on the Group's operations during five of the six months covered by this reporting period.

This financial period got off to a strong start with turnover and profits in the month of February exceeding those of the previous year by 10%. However, the onset of the COVID-19 pandemic and the regulations that ensued were very quickly reflected in the business performance across the Group. Turnover fell precipitously across all business lines as consumer demand for food and beverage products declined. This decline was particularly acute in the bars and restaurant sectors when these were ordered to close by government regulation. All mass events were also cancelled. The closure of the airport between mid-March and 1 July effectively also shut down the tourist sector over that period, badly impacting the hotels sector. April 2020, the first full month impacted by COVID-19, saw Group turnover fall by 55%. Competitive market pressures also became more pronounced as all businesses strived to retain their market positions and manage inventory levels. Inevitably, these increased market pressures resulted in a further compression in gross margins across the Group.

Business saw a gradual recovery from early May, particularly upon the reopening of the airport on 1 July, but the re-emergence of infections across Europe over the summer months and the re-imposition of travel restrictions – particularly those affecting tourists returning from visiting Malta - has seen a tapering off in the nascent recovery of turnover from mid-August. Overall turnover for the six-month period to 31 July 2020 amounted to €36.8 million compared with €53.3 million for the same period last year – a decrease of 31%. The reduction in turnover was experienced across all segments with the highest drop being registered in the operation of franchised food retailing establishments.

Immediately upon the outbreak of the pandemic, the Board and Management moved swiftly to implement a number of measures to curtail certain operational and administrative costs, re-visit ways of working, whilst at the same time re-evaluating planned capital investments programmes. The objectives in mind were to conserve cash, protect employment and commercial viability and safeguard the financial integrity of the Group. The Board and Management have continued to reassess the situation on an on-going basis in the light of a fast changing economic and public health crisis. Cash conservation measures continue to be critical in this environment and these include a focus on the re-evaluation and deferral of certain capital expenditure projects, intense follow ups for the collection of debts outstanding and the effective control of the credit risk associated with the Group's client base. An immediate freeze was imposed on overtime and new recruitment as well as the engagement of subcontracted and casual labour other than in exceptional circumstances where services were required to ensure appropriate service to customers and emergency services.

The Group has maintained its full work force despite the reduction in turnover with a balanced approach of measures undertaken for 'shut down' days together with accessing the COVID-19 wage supplement provided by the Government of Malta to employees of the Group. The fiscal and cost cutting measures undertaken as described above have enabled the Group to register a profit of €1.6 million for the six month period. This is of course a significant reduction from the profit after tax registered in July 2019 of €6.4 million. The reduction of 75% in the Group's profit was experienced across all business lines, with, as expected, the franchised food operations being particularly hard hit.

Earnings per share decreased to €0.053 for the six-month period when compared to €0.213 the previous year.

Investments

The Farsons Group has curtailed capital investments during this reporting period, retaining only those investments for ongoing projects and product development to ensure the Group retains its innovative edge for its customers.

The major investment currently being undertaken by the Group is the restoration and rehabilitation of the Old Brewhouse. This landmark regeneration project was slowed down during this COVID-19 pandemic with a revised projected completion date of the second quarter of 2021.

Business outlook

The high level of dislocation and disruption brought about by the unprecedented COVID-19 pandemic are expected to persist over the coming months, as is the uncertainty that has come in its wake. The second half of the financial year will undoubtedly be challenging, particularly as the tourism industry and all entertainment events continue to be targeted in efforts to contain the spread of the virus. The Board of Directors and Management will remain vigilant and are committed to continuing to implement such further measures as are necessary to safeguard the Group's presence in the market, to protect our work force and to secure the financial viability and integrity of the business.

The global economic downturn brought about by the onset of the pandemic is evident – yet the future remains uncertain. It is clear from recent events that the pandemic is far from over and that the coronavirus is yet to be suppressed. The relaxation of certain restrictions over the summer months has seen a spike in infections across many countries, and governments are scrambling with the implementation of new measures in efforts to contain the pandemic. All governments are painfully aware of the economic hardship caused by the total lockdown restrictions imposed in March and are doing everything possible to avoid repeating such measures. The immediate future is far from clear and forward visibility for business planning purposes remains poor. Agility in responding to fast moving events will be key.

The Board fully expects a challenging second half of the financial year and believes that further reduction in consumer demand together with potential reduction in spending power will continue to impact negatively the profitability of the Group. The forecast for the second half of the year, based on observed current trends, is anticipated to generate a slight improvement in the profit levels reported for the first half of the year.

The directors have a reasonable expectation, at the time of approving the condensed consolidated interim financial statement, that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in the preparation of the condensed consolidated interim financial statements.

Dividends

In the difficult and uncertain environment detailed in this report, the Board of Directors does not feel that it would be appropriate to declare the payment of an interim dividend (2019: €1 million). The extent of a final dividend distribution, if any, shall be determined on the basis of the full year results and the circumstances prevailing at that time.

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 2020, 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 A. Farrugia	Marcantonio Stagno d'Alcontres
Chairman	Vice–Chairman

23 September 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2020

	Group	
	31 July 2020 (unaudited)	31 January 2020 (audited)
	€'000	€'000
Assets		
Non-current assets	**136,320**	136,287
Current assets	**47,266**	51,655
Total assets	**183,586**	187,942
Equity and Liabilities		
Capital and reserves attributable to owners of the company	**117,862**	116,223
Non-current liabilities	**40,018**	38,724
Current liabilities	**25,706**	32,995
Total liabilities	**65,724**	71,719
Total equity and liabilities	**183,586**	187,942

CONDENSED CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 31 JULY 2020

	Group	
	31 July 2020 (unaudited)	31 July 2019 (unaudited)
	€'000	€'000
Revenue	**36,787**	53,272
Gross profit	**12,662**	21,477
Operating profit	**2,224**	7,645
Finance costs	**(637)**	(729)
Profit before tax	**1,587**	6,916
Tax expense	**-**	(519)
Profit for the period	**1,587**	6,397
Earnings per share	**0.053**	0.213

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 31 JULY 2020

	Group	
	31 July 2020 (unaudited)	31 July 2019 (unaudited)
	€'000	€'000
Profit for the period	**1,587**	6,397
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	**52**	–
Other comprehensive income for the period	**52**	–
Total comprehensive income for the period	**1,639**	6,397

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 31 JULY 2020

	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000
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**
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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 JULY 2020

	Group	
	31 July 2020 (unaudited)	31 July 2019 (unaudited)
	€'000	€'000
Net cash generated from operating activities	**9,043**	5,719
Net cash used in investing activities	**(6,827)**	(7,787)
Net cash generated from/(used in) financing activities	**1,167**	(4,192)
Net movement in cash and cash equivalents	**3,383**	(6,260)
Cash and cash equivalents at beginning of period	**1,796**	5,719
Cash and cash equivalents at end of period	**5,179**	(541)

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 2020, 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 2020.

   The interim financial statemnets should be read in conjunction with the annual financial statements for the year ended 31 January 2020.
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 below:

	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 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	2,652	281	38	**2,971**
Unallocated assets				**(747)**
Operating profit				**2,224**
Net finance costs				**(637)**
Profit before tax				**1,587**
Tax expense				**-**
Profit for the period				**1,587**
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 assets				**(1,144)**
Operating profit				**7,645**
Net finance costs				**(729)**
Profit before tax				**6,916**
Tax expense				**(519)**
Profit for the period				**6,397**

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.

SIMONDS FARSONS CISK PLC

INTERIM REPORT

SIX MONTHS ENDED 31 JULY 2020

FARSONS GROUP

Farsons

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