



FARSONS GROUP

Farsons

Simonds Farsons Cisk Plc

Interim Report

SIX MONTHS ENDED
31 JULY 2022



Simonds Farsons Cisk plc
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INTERIM DIRECTORS' REPORT

Trading Performance

The Board of Directors presents herewith the interim unaudited results of the Farsons Group for the six months ended 31 July 2022.

The Board of Directors is encouraged by the trading performance recorded over this reporting period which saw both turnover and profitability return to (indeed marginally exceed) pre-pandemic levels.

The Group's performance during the first half of this financial year reflects the continued economic recovery from the COVID-19 outbreak, as well as the first full six month period of trading free of any significant COVID related restrictions. On premise trade recovered strongly as consumers responded enthusiastically to the reopening of bars, clubs and catering establishments. Mass social events and Festa related celebrations also returned after an absence of two years, and hotel business saw a marked recovery as tourist arrivals rebounded strongly. However, towards the end of the period under review there were signs of consumer restraint returning as mounting inflationary pressures impacted disposable incomes. The return to a somewhat 'normal' trading environment has had to be carefully managed within the Group, so as to ensure availability of our products range and service levels to all our clients, particularly given increasing challenges across labour availability and the supply chain.

In order to maintain the current growth trends in turnover and profitability, it is essential that the Group remains vigilant in what are rapidly changing market conditions. We are having to respond to unprecedented levels of emerging inflation and shortages of supply of certain key raw materials and finished products. The prospect of a recession across Europe, largely as a result of the energy crisis brought on by the Russia-Ukraine conflict, will also weigh on consumer demand patterns.

The Group registered a turnover of €57.3 million during the first six months of the current financial year (last year: €41.6 million). This represents a 37.7% improvement over the same period of last year, and a growth of 7.6% over the six monthly (pre-pandemic) period to July 2019. Increased turnover has been registered across all our business segments. Profit before taxation for the period amounted to €7.8 million compared with €5.2 million for the equivalent period last year - and representing an increase over the July 2019 result of 12.4%. The improved profitability results from improved operating margins and overall comparative cost containment.

Earnings per share attributable to shareholders improved by 43.5% from €0.136c in the first half of FY2022 to €0.195c in the comparative period of FY2023, based on the 36 million shares in issue.

Investments

The major capital investment undertaken over the last two years has been the restoration and rehabilitation of the Old Brewhouse. This landmark regeneration project is now welcoming its first clients and tenants over a phased opening programme. The project will be completed in the coming months and consists of a Farsons Visitor Experience, a Microbrewery, a Gastrobrewpub and the Farsons Brand store, in addition to a bistro restaurant (The Kettles Café) and a Sky Line bar (The Cisk Tap).

Apart from the completion of works on the Brewhouse project, ongoing investments in line with the Group's programme of continuously seeking to secure further operational efficiencies as well as increased innovation and digitalisation are being undertaken. The current investment programme includes the installation of additional photovoltaic panels, the initiation of a project for the recovery of CO2 together with the opening of new restaurants for the franchised food offering. The Group will continue to embrace environmentally friendly initiatives and investments in line with the strategic objective of becoming more environmentally focused.

Business outlook

As noted above, the results delivered during this first half of the current financial year are encouraging and reflect the welcome return of a semblance of commercial normality. Whilst COVID has by no means been eradicated, its effects seem more manageable and contained as it transits from pandemic to endemic status. Looking forward however, a degree of caution is warranted. Substantial challenges remain across a number of fronts including in particular those impacting the supply side of the business and the potent inflationary pressures that are being unleashed. These result from an unhappy combination of factors; the lasting effects of the pandemic on human resources, excess pent-up demand, disruption in the supply chains of key raw materials, transportation costs and logistical delays, as well as the recent tragic developments in Russia and Ukraine and the resulting energy crisis across Europe. The timing and overlap of these events are indeed unfortunate. Whereas there has been a strong recovery in demand following the pandemic, businesses are now facing a new set of global challenges and the uncertainties that accompany them.

On the domestic front and of particular concern to the Group (and indeed of many other businesses) is the very tight labour market which is proving to be a significant challenge from two angles – staff shortages and the challenges this poses to the provision of high quality service across all business units, and spiralling payroll costs as a result of the significant excess demand domestically for the limited supply of quality human resources.

After a strong start to the current year, the challenges highlighted above are likely to grow in significance over the balance of the current financial year through to the end of January 2023 (FY2023) and indeed beyond. There is a growing expectation that FY2023 will be a “year of two halves”, as the second six months of the year witness growing input costs (raw materials and payrolls) coinciding with a softening of consumer demand as inflation pressures squeeze household budgets. The combination will place significant pressure on our margins. The Annual Report for FY2022 noted the Group’s strength and resilience, as well as its ability to respond to unexpected challenges. There is every expectation that this resilience will be called upon once again in the challenging months that lie ahead. This notwithstanding, given the encouraging first half of the year, the Board of Directors remains cautiously optimistic that the anticipated

profitability for the full year to 31 January 2023 (FY2023) as set out in the Financial Analysis Summary that was published on 22 July 2022 are achievable.

Dividends

The Board of Directors responded to the improvement in results registered for the financial year ending 31 January 2022 by re-instating its dividend distribution policy to shareholders after a suspension of dividend payments for a period that lasted 24 months. The total dividend payment for FY2022 amounted to €7 million made up of two interim dividends of €1.5 million each that were distributed on 20 October 2021 and 21 December 2021 respectively, together with a final dividend of €4 million that was distributed on 24 June 2022. Furthermore, a 1 for 5 Bonus share issue of €1.8 million was approved by Shareholders at the Annual General Meeting held on 23 June 2022. Following the bonus share issue, Simonds Farsons Cisk plc’s shares in issue increased from 30 million to 36 million.

The Board of Directors have today resolved to pay out of tax-exempt profits an interim dividend of €0.045 per ordinary share, equivalent to €1.62 million. This dividend will be paid on Wednesday, 19 October 2022 to the ordinary shareholders who will be on the Register as at the close of business on Wednesday, 5 October 2022.

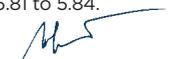
Statement Pursuant to Capital Markets Rule 5.75.3 issued by the Listing Authority

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 2022, 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.


Louis A. Farrugia

Chairman


Marcantonio Stagno
d'Alcontres

Vice-Chairman

28 September 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2022

	Group	
	31 July 2022 (unaudited)	31 January 2022 (audited)
	€'000	€'000
Assets		
Non-current assets	143,537	145,727
Current assets	61,122	55,205
Total assets	204,659	200,932
Equity and Liabilities		
Capital and reserves attributable to owners of the company	132,261	129,188
Non-current liabilities	33,598	33,587
Current liabilities	38,800	38,157
Total liabilities	72,398	71,744
Total equity and liabilities	204,659	200,932

CONDENSED CONSOLIDATED INCOME STATEMENT SIX MONTHS ENDED 31 JULY 2022

	Group	
	31 July 2022 (unaudited)	31 July 2021 (unaudited)
	€'000	€'000
Revenue	57,313	41,624
Gross profit	22,360	15,028
Operating profit	8,466	5,802
Finance costs	(693)	(614)
Profit before tax	7,773	5,188
Tax expense	(767)	(304)
Profit for the period	7,006	4,884
Earnings per share	0.195	0.136

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 31 JULY 2022

	Group	
	31 July 2022 (unaudited)	31 July 2021 (unaudited)
	€'000	€'000
Profit for the period	7,006	4,884
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	67	54
Other comprehensive income for the period	67	54
Total comprehensive income for the period	7,073	4,938

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 31 JULY 2022

	Group				
	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000
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
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
Transactions with owners					
Dividends	-	-	-	-	-
Balance at 31 July 2021	9,000	(152)	49,409	66,335	124,592

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 JULY 2022

	Group	
	31 July 2022 (unaudited)	31 July 2021 (unaudited)
	€'000	€'000
Net cash generated from operating activities	1,548	5,124
Net cash used in investing activities	(2,362)	(7,079)
Net cash used in financing activities	(5,611)	(1,943)
Net movement in cash and cash equivalents	(6,425)	(3,898)
Cash and cash equivalents at beginning of period	15,366	17,148
Cash and cash equivalents at end of period	8,941	13,250

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 2022, 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 2022.
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 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
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

- 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. In accordance with International Accounting Standard 33 (IAS 33 - Earnings per share), the comparative EPS for July 2021 has been restated to take account of the bonus issue effected to members on the Register as at 3 June 2022.
- During the Annual General Meeting held on the 23 June 2022, the shareholders approved the capitalisation of €1.8 million from the Company's Retained Tax Exempt Earnings for the purpose of issuing up to 6 million fully paid-up ordinary shares of a nominal value of €0.30 per share, representing one (1) bonus share for every five (5) shares held. The bonus shares were allotted to the members of the Company appearing on the Register of Members as at close of trading on the Malta Stock Exchange on Friday, 3 June 2022. Following this capitalisation, the Company's shares in issue increased from 30 million to 36 million with all shares tradeable on the Malta Stock Exchange with effect from the 1 August 2022.

