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Stock Spirits Group PLC
12 May 2021

Stock Spirits Group PLC

Results for the six months ended 31 March 2021

Continued resilience in a challenging trading environment

12 May 2021: Stock Spirits Group PLC ("Stock Spirits" or the "Company" or the "Group"), a leading owner and producer of branded spirits and liqueurs that are principally sold in Central and Eastern Europe and Italy, announces its results for the six months ended 31 March 2021.

Financial and operational highlights

All values in € millions unless otherwise stated	**Reported six months to March 2021**		**Reported six months to March 2020**	**% Movement**
Volume (millions 9 litre cases)	8.3		8.1	+2.0%
Revenue	183.4		189.6	-3.3%
Revenue at constant currency[1]				*+0.3%*
Adjusted EBITDA[2]	44.5		45.6	-2.4%
Adjusted EBITDA at constant currency				*+1.7%*
Operating profit before exceptional items	37.9		38.8	-2.3%
Profit for the period	28.1		14.7	+91.6%
Earnings per share - basic (€ cents per share)	14.11		7.41	+90.4%
Adjusted EPS - basic[3] (€ cents per share)	14.11		14.38	-1.9%
Net debt	*38.3*		*55.4*	*-30.9%*

- Year-on-year growth in market shares in the off-trade in our core markets of Poland and the Czech Republic - a resilient performance despite COVID-19 lockdowns closing or heavily restricting the on-trade channel for almost the entire period (6% of the Group's revenue in the first half compared to a normal level of 15%)
- Continuing positive momentum in Poland, our largest market (57% of Group revenue), achieving a five-year-high value market share of 30.7% as at March 2021[4] in the important vodka category, with revenue up +4.3% and EBITDA up +6.8% on a constant currency basis
- Czech business (25% of Group revenue) has been impacted the most by on-trade closure, and local competition has increased: revenue declined by 13.6% and EBITDA by 21.2% both on a constant currency basis, although the business grew value market share to 33.5% as at March 2021 (on a MAT basis), from 33.3% in March 2020
- Italy (10% of Group revenue) is benefitting from increased scale, with a strong contribution from the Distillerie Franciacorta acquisition completed in 2019, with value market share up in all our categories
- Interim dividend of 2.98 € cents per share, an increase of +7.6% (2020 interim: 2.77 € cents per share)
- Strong balance sheet with low leverage and unused committed bank facilities. Net debt of €38.3m at 31 March 2021 (30 September 2020: €22.7m), resulting in leverage of 0.55x (30 September 2020: 0.32x)
- The Group's €200 million financing facilities have been renewed and now run to May 2024, with the possibility to extend up to 2026

Commenting on the results, Mirek Stachowicz, Chief Executive Officer, said:

"This has been another resilient financial and operational performance against a hugely challenging backdrop. We managed to largely counterbalance the widespread closure of the on-trade in all of our markets by growing our strong brands in the off-trade. This was driven both by successful product innovations and by the trend for consumers to turn to familiar and trusted brands during times of uncertainty.

We are broadly on track with our plans for the year, notwithstanding the continuing disruption from the pandemic and the impact from the Polish small format tax. Whilst there remains some uncertainty in the short-term outlook, we remain confident in the future prospects for Stock Spirits, as illustrated both by the investments that we are making in our brands and infrastructure, and by the continuation of our progressive dividend policy."

Analyst presentation

Management will be hosting a presentation via an audio webcast and conference call which will be hosted by CEO Miroslaw Stachowicz and CFO Paul Bal at 9:00am (BST) on Wednesday 12 May 2021. Dial-in details are below. Please dial-in at least 15 minutes prior in order to ensure a timely start to the briefing.

Audio webcast: https://edge.media-server.com/mmc/p/yqts9qqh
Conference call:

Location	Phone Number	Passcode
International	+44 (0) 2071 928338	6847289

Please note that questions will only be taken over the conference call and not the audio webcast.

A replay of the audio webcast will be available shortly afterwards on the same link as above.

For further information:

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Investors can also address any query to investorqueries@stockspirits.com

A copy of this interim results announcement ("announcement") has been posted on www.stockspirits.com

About Stock Spirits Group

Stock Spirits is one of the leading branded spirits and liqueurs businesses in Central and Eastern Europe and Italy, and offers a portfolio of products that are rooted in local and regional heritage. With businesses in Poland, the Czech Republic, Slovakia, Italy, Croatia and Bosnia & Herzegovina, Stock Spirits also exports to more than 50 other countries worldwide. Global sales volumes currently total over 125 million litres per year.

Stock Spirits has production facilities in Poland, the Czech Republic, Germany and Italy. Its portfolio includes well-established "millionaire" (selling in excess of one million 9 litre equivalent cases per annum) brands including Żołądkowa, Lubelska, Božkov and Stock Prestige, local leaders such as Stock 84 brandy, Fernet Stock bitters, Keglevich and Limoncè, as well as more recent innovations including Amundsen Expedition vodka and Božkov Republica rum.

Stock Spirits is listed on the main market of the London Stock Exchange. For the year ended 30 September 2020 it delivered total revenue of €341.0m and operating profit before exceptional items of €57.8m.

For further information, please visit www.stockspirits.com

Disclaimer

This announcement may contain statements which are not based on current or historical fact and which are forward looking in nature. These forward looking statements may reflect knowledge and information available at the date of preparation of this announcement and the Company undertakes no obligation to update these forward looking statements. Such forward looking statements are subject to known and unknown risks and uncertainties facing the Group including, without limitation, those risks described in this announcement, and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this announcement should be construed as a profit forecast.

Basis of Preparation

The financial information contained in these interim results does not constitute statutory accounts of Stock Spirits Group PLC within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for Stock Spirits Group PLC for the 12 months ended 30 September 2020 were delivered to the Registrar of Companies. The auditors have reported on the accounts. Their report was: (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not constitute a statement under Section 498(2) or (3) of the Companies Act 2006.

INTERIM MANAGEMENT REPORT

Overview

Despite a hugely challenging backdrop, we have delivered another resilient performance during the first half of the year. Our locally focused business model operated without interruption. For almost the entire period, the on-trade channel in all of our main markets was either closed completely or heavily restricted by COVID-19 lockdown regulations. Over the period, that channel represented around 6% of Group revenue, down from around 15% before the pandemic.

Notwithstanding these difficult conditions and uncertainties, and strong prior year comparatives, in constant currency terms our revenue in the period of €183.4m was up by +0.3% versus the prior period, and Adjusted EBITDA of €44.5m was +1.7% ahead. Importantly, our brands gained market share almost wholly across the board in their categories in our core markets of Poland, Czech and Italy.

In Poland, our biggest market (57% of Group revenue) and the least exposed to the on-trade, we continued to experience positive momentum. Market share, volume, constant currency revenue and Adjusted EBITDA all grew, fuelled by a succession of innovative new products, especially in flavoured vodka. The retail pricing environment remained favourable after the 2020 excise increase and the new tax on small format bottles, introduced in January 2021, was fully passed on to the consumers.

The lockdown had a marked impact on our Czech business (25% of Group revenue) as the on-trade channel was traditionally around one-third of both our revenues and that of the total market. Competition in the Czech market intensified in the imported rums sub-category, whilst at the same time easing in herbal bitters. We are responding by consistently building our brand-equity in the rum category, whilst constantly driving growth and profitability in the remaining spirit categories.

It is pleasing to see our Italian unit (10% of Group revenue) respond well to its increased scale despite also being very exposed to the negative dynamics of the on-trade channel (pre-pandemic c.53% of total market sales in that country). Growth was primarily driven by the Distillerie Franciacorta business which we acquired in 2019 and has now been successfully integrated, and the Beam Suntory portfolio, whose distribution we took on in April 2020.

Our 'Other' markets (including Slovakia, Croatia and Bosnia & Herzegovina together with our export operations, known as 'International') delivered a stable performance overall, as challenges in markets exposed to the on-trade were offset by the improved performance of our Slovakian unit.

Working under lockdown conditions is slowing progress with initiatives that require more collaborative, cross-border effort. As previously reported, M&A progress has been particularly impacted, and we look forward to picking up momentum in this area as vaccination programmes across continental Europe continue to be rolled out.

During the period we have also started developing an updated strategy for the next three years. We believe that we delivered strongly against our current strategic priorities, and as a result we do not anticipate a significant departure from the areas that are currently under focus. The updated strategy, together with our revised long-term objectives, will be announced with our full-year results at the end of this year. As part of this strategic update, we will also further articulate our ambitious People, Planet, Processes ESG strategy, covering our relationship with the environment, our contributions to the communities in which we operate, and the framework of disciplines and processes that govern our business.

We are today announcing an interim dividend of 2.98 € cents per share, representing an increase of 7.6% versus last year's interim dividend of 2.77 € cents. Given our robust balance sheet, strong cash generation and resilient performance despite exceptionally challenging and uncertain trading conditions, we are pleased to continue with a progressive dividend policy for our shareholders.

M&A

M&A remains a strategic focus and whilst the COVID-19 pandemic has curtailed any M&A activity over the last 12 months, as conditions improve we will endeavour to seek out larger, more strategic opportunities to deliver growth and shareholder value for the future.

Market performance:

Poland

Poland (57% of Group revenue) delivered a strong performance across all of the key spirits categories, which is a clear illustration of the continuing momentum in our largest market.

Revenue decreased slightly on a reported basis by 0.5% to €104.3 million; and on a constant currency basis revenue was up €4.3 million or 4.3% (H1 2020: €100.0 million). Reported Adjusted EBITDA was €29.1 million (H1 2020: €28.5 million). On a constant currency basis Adjusted EBITDA increased by €1.9 million, with an increase in margin from 27.2% to 27.9% reflecting improved margin mix and reduced investment during the pandemic.

Total off-trade spirits value grew by +9.5%. Stock delivered growth in the three biggest spirits categories - vodka, whisky and brandy. Vodka, the largest spirits category in Poland, performed positively despite the COVID-19 challenges, achieving value growth of +6.8%. The key drivers were: strong growth from the total flavoured vodka segment's value (+8.2%), which commands higher average selling prices per litre than total clear vodka; and premiumisation, which continued despite COVID-19, leading to total premium vodka growth of +8.6% as consumers traded up to higher quality products at higher average price points.

It remains too early to assess the full impact of the small format tax, introduced in January 2021, on the performance of the overall vodka category. Initial indications are that, whilst overall consumption has declined slightly in the period between January and March, it is also changing format mix i.e. decreasing the proportion of purchases in small formats and growing the share of larger formats, in part due to consumers decanting at home. The roll-out of our new product development (NPD) programme in the small format segment is progressing as planned, including the introduction of the 25% ABV product offer in a 90ml pack; the 45% ABV product in a 40ml pot-shot and the implementation of a 350ml pack format.

Stock Spirits outperformed the total vodka category, growing value by +10.6% and increasing its value share from 29.7% to 30.7% on an MAT basis, a five year high. Our category-leading growth has been achieved through continued successful innovation in our flavoured range, coupled with the success of our premiumisation initiatives in clear vodka.

Whisky, the second largest spirits category in Poland, achieved double digit volume and value growth. Stock Spirits grew the absolute value of its leading agency distribution brand in Poland, Jim Beam, by +14.8%.

In brandy, the third largest spirits category in Poland, Stock Spirits maintained category leadership and grew Stock 84 value by +14.6%.

The on-trade has traditionally been estimated to account for around 10% of the market in Poland. Our business is under-represented in this channel, with only around 1% of Stock's Polish revenue coming from the on-trade during this period (versus 3% prior to the pandemic).

Work on a new distillery at our Lublin facility continues and is expected to deliver the projected returns, despite minor COVID-related delays and additional investments in sustainable technologies.

Czech Republic

The environment has been highly challenging in the Czech Republic (25% of Group revenue) due to its sizeable on-trade channel being in lockdown for a substantial period, and competitor price discounting in the imported rum category. However, Stock continues to lead the spirits market whilst investing in brand equity growth and margin enhancement for the long term.

Reported revenue declined by 16.6% to €45.2 million (H1 2020: €54.2 million). On a constant currency basis, the decline was 13.6%. Reported EBITDA was €15.0 million (H1 2020: €19.8 million). On an underlying constant currency basis EBITDA decreased by €4.1 million, delivering a margin of 33.2% (H1 2020: 36.4%).

Total off-trade spirits value grew by +15.3% driven in part by COVID-19 increasing at-home consumption, but also because consumers continued to trade up to higher quality and higher price-point products.

Three of the four biggest spirits categories: rum, vodka and whisky remain in MAT value growth, more than compensating for a flat performance in herbal bitters.

As market leader, Stock Spirits chose to invest in brand equity-building and delivered growth in total spirits value (+16.2%), in line with the total spirits market, maintaining total spirits value share of 33.5%. Our Božkov brands (in rum and vodka) are an example of the benefits of investing in brand equity building, having recently delivered four gold and three silver medals at a series of prestigious international competitions.

Very positive value share growth was achieved in the herbal bitters category with Fernet Stock through the re-launched range and revised price architecture, growing from 24.6% to 27.6%. Growth was also achieved on Božkov and Pražská vodkas and on our agency distribution whisky portfolio. In rum, the largest spirits category in the Czech Republic, share gains from Božkov Tuzemsky and premium agency distribution brand Legendario (from the Bartida acquisition) were offset by losses on Božkov Republica, which came under pressure from local competitor copycat brands, leading to a decline in Stock's overall rum category value share from 65.7% to 64.0%.

The on-trade has traditionally been estimated to account for some 32% of the Czech market[5]. It constituted some 8% of our revenue in the period, whereas it represented around 30% of our revenue prior to the pandemic. Throughout the lockdown we have continued to invest in the systems and training of our on-trade team and are very well positioned to benefit from the re-opening of this channel as lockdown eases.

Italy

Italy accounts for 10% of the Group's revenue. Revenue increased by +26.3%, to €18.6 million (H1 2020: €14.8 million). Adjusted EBITDA in H1 was €2.1 million (H1 2020: €0.8 million).

Whilst Stock Spirits has a relatively small share of total spirits, with a 6.8% value share in the modern off-trade channel on which we focus, we hold leading positions in several key categories. These include number one brands in clear vodka, vodka-based liqueurs and limoncello, and number two in brandy. In addition, following the 2019 acquisition of Distillerie Franciacorta, Stock is number one in off-trade grappa.

Our Italian range achieved volume and value growth in the modern off-trade. Our range's presence in the categories most heavily impacted by COVID-19 has contributed to Stock Italia delivering slower growth than the total spirits market, but we outperformed the market and grew share in all of our core categories. This was particularly the case in grappa, where Stock achieved value growth of +15.9%, significantly higher than the total grappa category growth (+9.9%).

The integration of the Distillerie Franciacorta acquisition, with its outstanding heritage and brands, has been completed. Salesforce synergies in both the on and off-trade have resulted in distribution expansion of both portfolios. Plans remain in place for the construction of a new production facility over the coming years.

The on-trade has traditionally been estimated to account for around 53%[6] of the Italian market. It constituted around 22% of our revenue during the period, versus around 40% prior to the pandemic. We reorganised our on-trade salesforce during the pandemic and are well positioned to benefit from the re-opening of this channel.

Other markets

'Other markets' includes Slovakia, Croatia, Bosnia, as well as other export activities together known as International. Revenue was €15.2 million (H1 2020: €15.8 million) and Adjusted EBITDA was €2.8 million (H1 2020: €2.0 million).

In Slovakia, total spirits market value grew by +13.3%, and Stock continues to premiumise its range to grow value and profitability in what is a highly competitive market.

Stock Slovensko maintained its position as the second biggest spirits company in the off-trade, but its market share declined marginally to 10.6% as a result of growth in economy brands and private label. The management team of our Slovakian business has been combined with our Czech operations. This allowed us to better leverage the resulting scale of the broadly similar brand portfolios in both countries, leading to significantly improved profitability.

In Croatia we reinforced our market leading position in imported brandy, and grew value share from 13.3% to 13.5%.

All distribution brands have performed well, including the Beam Suntory brands, Beluga, The Dubliner Irish whiskey and the more recent addition of the Fentimans tonics range. As previously announced, and building on our existing arrangements, from March we commenced distribution of Diageo's full portfolio of premium and 'Reserve' brands in the Czech Republic.

In Germany our distributor has delivered significant growth by gaining increased listings in the retail segment for our Polish brands. A new brand ambassador for our Italian portfolio has been appointed in Germany to help drive similar growth.

Sources for all market data as referenced above: all data quoted is MAT to end March 2021, from Nielsen for Poland, Czech Republic, Slovakia and Croatia, and from IRI and IWSR for Italy.

Financial performance

Volumes for the period were up 2.0%, primarily due to the continued strong performance in Poland.

Reported revenue was down 3.3% to €183.4 million (H1 2020: €189.6 million) due to the impact from adverse foreign currency movements (-3.6%), as both the Polish Zloty and the Czech Koruna weakened against the Euro. Revenue at constant currency increased +0.3% driven by the increase in volume (+2.0%) and slight mix improvement (+0.1%), but significantly offset by lower effective pricing (-1.9%), mainly in the Czech Republic.

Revenue per litre fell 5.0% to €2.46 (H1 2020: €2.59) influenced by a number of factors: primarily adverse foreign currency movements, but also the mix impact of COVID-driven restrictions in the on-trade in our Czech, Italian and International markets, increased competition in rum in the Czech Republic, and more latterly, the impact of the small format tax in Poland.

Cost of goods sold per litre decreased 3.6% to €1.34 (H1 2020: €1.39), again mainly due tothe impact from foreign currency (-4.3%), but offset by an increase in third-party brand costs and mix. These factors contributed to the gross profit margin diluting 90bps.

Selling expenses decreased 4.6% from a combination of lower third party sales agent costs and a decrease in investment in the on-trade channel, both being a consequence of the on-trade closures. Other operating costs decreased 11.1% mainly due to lower share-scheme costs and an insurance claim refund in respect of our Baltic distillery.

Operating profit for the period was €37.9 million, an increase of 51.8% on H1 2020 (€25.0 million). Adjusted EBITDA, at €44.5 million (H1 2020: €45.6 million) was 2.4% lower, due to the impact from foreign currency movements (-4.1%). However, Adjusted EBITDA margin improved 20bps to 24.3%. Consequently, Adjusted EBITDA at constant currency increased by +1.7%.

Net debt increased by €15.6 million to €38.3 million (30 September 2020: €22.7 million) largely due to the payment of the full-year 2020 final and special dividends (totalling €35.9 million), net capital expenditure (€5.0 million), and the purchase of own shares to meet share-scheme requirements (€3.8 million), partially offset by strong cash flow from operating activities of €31.3 million. As a result, leverage has increased from 0.32x (as at 30 September 2020) to 0.55x, reflecting the increased level of net debt.

Our financing facility covenants are: Net Debt/EBITDA 3.5x maximum and Interest Cover 4.0x minimum. We currently operate, and expect to remain, comfortably within these levels, and retain significant unused bank facilities. We have renewed our €200 million (with a €100 million 'accordion') financing facilities which now run to May 2024 with the possibility to extend to May 2026 and no material changes in either pricing or flexibility.

Net finance costs declined to €1.4 million (H1 2020: €2.2 million) due to a decrease in bank facility-drawings during the period and a reduction in interest rates.

As set out in the principal risks and uncertainties and in note 9 of the interim condensed consolidated financial statements, we continued with the appeal process against the €4.3 million assessment issued by the Polish tax authorities in respect of our 2013 Corporate Income Tax return and historical tax positions. There have been no significant developments during the period.

In December 2020, we received a decision from the Polish tax authorities in respect of the 2015 tax audit which focused on intra-group funding and withholding tax. An assessment amounting to €4.3 million, representing withholding tax, interest and penalties on inter-company interest payments, was received and paid in full. Following an unsuccessful administrative appeal to the tax authority issuing the assessment, an appeal to the District Administrative Court was lodged in March 2021. We believe the basis of the assessment to be incorrect and have therefore recognised a receivable in respect of the amount paid.

In March 2021, the Czech Republic District Administrative Court issued an unfavourable judgement in respect of our appeal against the 2011 Corporate Income Tax assessment disallowing certain intra-group management recharges. As the judgement contradicts a substantial body of evidence submitted by us, an appeal was submitted on 15 March 2021 to the Supreme Administrative Court. Tax and penalties relating to the assessment were paid in May 2018.

Adjusted basic earnings per share was 14.11 € cents for the period, a decline of 1.9% on H1 2020 of 14.38 € cents per share.

The Board of Directors has approved an interim dividend payment of 2.98 € cents per share, an increase of 7.6% on the prior year interim dividend. This is consistent with our aim of providing progressive dividends, whilst maintaining our ability to build scale through potential future M&A. Our robust balance sheet and continued strong cash flow generation provide us with the capacity for further M&A should suitable opportunities arise. However, as we have said previously, if no meaningful M&A activity materialises then we will as a matter of course consider returning cash to investors via additional shareholder distributions.

The dividend will be paid on 18 June 2021, with a record date of 28 May 2021 (shareholders on the register at the close of business on 28 May 2021). The Euro:Sterling exchange rate will be fixed on the record date.

Outlook

We believe we have successfully weathered the difficult conditions of the past six months and we are well positioned to benefit from the post-pandemic recovery.

The negative impact of COVID-19 on the on-trade part of our business will continue until the pandemic is brought under control and there is a return to a more normal pattern of consumer behaviour. Given the continued progress being made in the roll-out of the vaccine programmes, we are confident that this reversion will happen in due course, and believe that it is likely to be preceded by an initial period of higher demand from consumers, especially if there is a tendency to travel less internationally.

There is the potential for more regulatory changes as governments tackle the economic consequences of their pandemic responses. Whilst the introduction of the anticipated new small format tax in Poland from 1 January 2021 has not had a material impact on our results during this period due to pre-selling, we expect that it will inevitably negatively affect the appeal of smaller format products in the market. Our plans to address this are currently being implemented and, based on our previous experience in meeting such challenges, we expect to be able to substantially mitigate the impact.

While there is still ongoing uncertainty as a result of COVID-19 and future regulatory developments, our model remains resilient. We remain confident in the future prospects for Stock Spirits, as illustrated both by the investments that we are making in our brands and infrastructure, and by the continuation of our progressive dividend policy.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for at least the next twelve months. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial information of the Group.

Principal risks and uncertainties

Stock Spirits Group believes the following to be the principal risks facing its business. Risks are identified and assessed through a combined bottom-up and top-down approach. If any of these risks occur, Stock Spirits' business, financial condition and performance might suffer and the trading price and/or liquidity of the shares may decline. Not all of these risks are within our control and this list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

The timetable at which the COVID-19 vaccination programmes across our key markets enable lockdowns and other restrictions to be lifted remain uncertain. It is also not yet possible to determine the longer-term macro-economic impact of the increased government spending and loss of tax revenue in our key countries. At this point in time, we are assuming that when restrictions are lifted, our markets will return largely to normal. However, there may be some longer lasting changes within the trade channels e.g. some bars, restaurants and other outlets may decide not to re-open when the pandemic ends. International travel may continue to be subdued, impacting economies that depend on a high level of tourism such as Italy, even after allowing for a compensating increase in domestic tourism. Online purchasing could continue to increase for all categories, including alcohol. There may be other longer lasting changes in consumer behaviours, but it is not yet clear whether that might entail a reduction in social gatherings, or an increase. Taking all these uncertain factors into account, we are currently assuming that underlying consumer demand and trends will not be significantly altered post COVID-19 in a way which would materially impact our Group as a whole. This is broadly the position we have observed over the preceding 12 months since COVID-19 became widespread across our markets, during which time our businesses demonstrated their resilience, although firm conclusions about the future cannot yet be drawn. Based on that, the Board considers the principal risks and uncertainties for the Group are:

- Economic & political change - Results are affected by overall economic conditions and consumer confidence in key geographic markets in Central and Eastern Europe markets where economic and regulatory uncertainty is considered to be higher than other European countries.
- Taxes - Increases in taxes, particularly excise duty rates and VAT, could adversely affect the demand for the Group's products. Tax increases are likely to be considered by many governments to help pay the costs incurred in handling the COVID-19 outbreak. Demand for the Group's products is particularly sensitive to fluctuations in excise taxes, since excise taxes generally constitute the largest component of the sales price of spirits. New taxes such as the small format tax in Poland present a similar risk. The Group may also be exposed to tax liabilities resulting from tax audits. Changes in tax laws and related interpretations and increased enforcement actions and penalties may increase the cost of doing business. In addition, certain tax positions taken by the Group are based on industry practice and external tax advice and/or involve a significant degree of judgement.
- Laws & regulations - The Group is subject to extensive laws and regulations limiting advertising, promotions and access to its products, as well as laws and regulations relating to its operations, such as anti-trust, anti-bribery, data protection, late payment of creditors, health and safety and environmental laws, and there is increasing enforcement of such laws. These regulations and any changes to them could limit the Group's business activities or increase costs.
- Marketplace & Competition - The Group operates in highly competitive markets that may result in pressure on prices and loss of market share.
- Strategic transactions - Key objectives of the Group are: (i) the development of new products and variants; (ii) expansion through the acquisition of additional businesses; and (iii) distribution agreements with world-class brand partners. Unsuccessful launches, or failure by the Group to fulfil its expansion plans or integrate completed acquisitions, or to maintain and develop its third party brand relationships, could have a material adverse effect on the Group's growth potential and performance.
- Disruption to Operations and Environment - our operations or systems could be disrupted by physical events or cyber-attacks. From an environment perspective, the Group faces two main types of risk: transition risks such as taxes on carbon and plastic;

and physical risks such as extreme weather conditions and climate change causing acute and/or chronic impacts on supplies of key raw materials such as grains.

Further detail on the principal risks and uncertainties affecting the business activities of the Group are set out on pages 52-59 in the Stock Spirits Group 2020 Annual Report, a copy of which is available on the Company's website at www.stockspirits.com. Subject as stated above regarding COVID-19 uncertainty, in the view of the Board there is no material change in these risks in respect of the remaining six months of the year.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting in conformity with the requirements of the Companies Act 2006.

The interim management report includes a fair review of the information required by:

a) DTR 4.2 7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2 8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Board of Directors

The Board of Directors as at 12 May 2021 is as follows:

David Maloney, Non-Executive Chairman

Mirek Stachowicz, Chief Executive Officer

Paul Bal, Chief Financial Officer

John Nicolson, Senior Independent Non-Executive Director

Kate Allum, Independent Non-Executive Director

Diego Bevilacqua, Independent Non-Executive Director

Tomasz Blawat, Independent Non-Executive Director

Mike Butterworth, Independent Non-Executive Director

For and on behalf of the Board of Directors

Mirek Stachowicz	David Maloney
Chief Executive Officer	Chairman
12 May 2021	

Stock Spirits Group PLC

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended 31 March 2021

Independent Review Report to Stock Spirits Group PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2021 which comprises the Interim condensed consolidated income statement, Interim condensed consolidated statement of comprehensive income, Interim condensed consolidated statement of financial position, Interim condensed consolidated statement of changes in equity, Interim condensed consolidated statement of cash flows, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2021 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 2, the latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards as adopted by the EU and the next annual financial statements will be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Paul Nichols
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

12 May 2021

Interim condensed consolidated income statement

For the six months ended 31 March 2021

	Notes	*Six months ended 31 March 2021* *Unaudited* *€000*	*Six months ended 31 March 2020* *Unaudited Restated** *€000*
Revenue	5	183,425	189,612
Cost of goods sold		(99,642)	(101,307)
Gross profit		83,783	88,305
Selling expenses		(31,311)	(32,810)
Other operating expenses		(14,436)	(16,230)
Impairment loss on trade and other receivables		(118)	(315)
Share of loss of equity-accounted investees, net of tax	16	(30)	(165)
Operating profit before exceptional items		37,888	38,785
Exceptional income	7	-	1,641
Exceptional expense	7	-	(15,459)
Operating profit		37,888	24,967
Finance income	8	156	161
Finance costs	8	(1,603)	(2,331)
Profit before tax		36,441	22,797
Income tax expense	9	(8,301)	(8,108)
Profit for the period		28,140	14,689
Attributable to:			
Equity holders of the Parent		28,140	14,689
Earnings per share, (€cents), attributable to equity holders of the Parent			
Basic	10	14.11	7.41
Diluted	10	14.08	7.33

*Restated for the reclassification of certain Group central costs and IFRS 16-related depreciation charges on warehouses totalling €1,464,000 from Other operating expenses to Selling expenses.

Interim condensed consolidated statement of comprehensive income

For the six months ended 31 March 2021

	Six months ended 31 March 2021 Unaudited €000	Six months ended 31 March 2020 Unaudited €000
Profit for the period	28,140	14,689
Other comprehensive income/(expense)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	7,135	(10,846)
Total comprehensive income for the period, net of tax	35,275	3,843
Attributable to:		
Equity holders of the Parent	35,275	3,843

Interim condensed consolidated statement of financial position

As at 31 March 2021

Registered Company No: 08687223

	Notes	31 March 2021 Unaudited €000	30 September 2020 Audited €000
Non-current assets			
Intangible assets - goodwill	11	48,169	46,795
Intangible assets - other	12	312,340	306,431
Property, plant and equipment	14	50,947	51,639
Right-of-use assets	15	10,203	11,635
Investment in equity-accounted investee	16	2,070	2,100
Deferred tax assets		1,836	1,903
Other assets		4,661	4,483
		430,226	424,986
Current assets			
Inventories		49,061	44,986
Trade and other receivables		108,368	92,383
Current tax assets		6,931	3,870
Short-term deposits	17	6,471	18,132
Cash and cash equivalents	18	45,546	42,747
		216,377	202,118
Total assets		646,603	627,104
Non-current liabilities			
Borrowings	19	78,903	70,539
Other financial liabilities		10,370	11,632
Deferred tax liabilities		49,012	47,229
Provisions		1,290	1,249
Trade and other payables		107	355
		139,682	131,004
Current liabilities			
Trade and other payables		71,696	79,903
Other financial liabilities		5,783	5,894
Income tax payable		4,081	4,562
Indirect tax payable		80,915	57,824
Provisions		961	805
		163,436	148,988
Total liabilities		303,118	279,992
Net assets		343,485	347,112

Interim condensed consolidated statement of financial position

As at 31 March 2021

	Notes	31 March 2021 Unaudited €000	30 September 2020 Audited €000

Capital and reserves			
Issued capital	21	23,625	23,625
Merger reserve	21	99,033	99,033
Consolidation reserve	21	5,130	5,130
Own share reserve	21	(4,129)	(3,938)
Other reserve	21	2,503	12,935
Foreign currency translation reserve	21	2,663	(4,472)
Retained earnings		214,660	214,799
Total equity		343,485	347,112
Total equity and liabilities		646,603	627,104

Interim condensed consolidated statement of changes in equity

For the six months ended 31 March 2021

	Issued capital €000	*Merger reserve €000*	*Consolidation reserve €000*	*Own share reserve €000*	*Other reserve €000*	*Foreign currency translation reserve €000*	*Retained earnings €000*	*Total equity €000*
Balance at 1 October 2019	**23,625**	**99,033**	**5,130**	**(2,718)**	**12,566**	**9,774**	**213,366**	**360,776**
Profit for the period	-	-	-	-	-	-	14,689	14,689
Other comprehensive expense	-	-	-	-	-	(10,846)	-	(10,846)
Total comprehensive (expense)/income	-	-	-	-	-	(10,846)	14,689	3,843
Share-based payment compensation charge	-	-	-	-	1,528	-	-	1,528
Exercise of share options	-	-	-	-	(1,720)	-	1,720	-
Dividends	-	-	-	-	-	-	(12,499)	(12,499)
Own shares acquired for incentive schemes	-	-	-	(3,841)	-	-	-	(3,841)
Own shares utilised for incentive schemes	-	-	-	1,831	-	-	(1,831)	-
Balance at 31 March 2020 (unaudited)	**23,625**	**99,033**	**5,130**	**(4,728)**	**12,374**	**(1,072)**	**215,445**	**349,807**
Profit for the period	-	-	-	-	-	-	4,869	4,869
Other comprehensive expense	-	-	-	-	-	(3,400)	-	(3,400)
Total comprehensive (expense)/income	-	-	-	-	-	(3,400)	4,869	1,469
Share-based payment compensation charge	-	-	-	-	1,336	-	-	1,336
Exercise of share options	-	-	-	-	(775)	-	775	-
Dividends	-	-	-	-	-	-	(5,500)	(5,500)
Own shares utilised for incentive schemes	-	-	-	790	-	-	(790)	-
Balance at 30 September 2020 (audited)	**23,625**	**99,033**	**5,130**	**(3,938)**	**12,935**	**(4,472)**	**214,799**	**347,112**
Profit for the period	-	-	-	-	-	-	28,140	28,140
Other comprehensive income	-	-	-	-	-	7,135	-	7,135
Total comprehensive income	-	-	-	-	-	7,135	28,140	35,275
Share-based payment compensation charge	-	-	-	-	726	-	-	726
Exercise of share options	-	-	-	-	(11,158)	-	11,158	-
Dividends	-	-	-	-	-	-	(35,850)	(35,850)
Own shares acquired for incentive schemes	-	-	-	(3,778)	-	-	-	(3,778)
Own shares utilised for incentive schemes	-	-	-	3,587	-	-	(3,587)	-
Balance at 31 March 2021 (unaudited)	**23,625**	**99,033**	**5,130**	**(4,129)**	**2,503**	**2,663**	**214,660**	**343,485**

Interim condensed consolidated statement of cash flows

For the six months ended 31 March 2021

	Notes	*Six months ended 31 March 2021 Unaudited €000*	*Six months ended 31 March 2020 Unaudited €000*
Operating activities			
Profit for the period		28,140	14,689
Adjustments to reconcile profit for the period to net cash flows:			
Income tax expense recognised in income statement	9	8,301	8,108
Interest expense and bank commissions	8	1,603	2,331
(Gain)/loss on disposal of tangible and intangible assets		(23)	206
Other financial income	8	(8)	(139)
Depreciation of property, plant and equipment	14	3,300	3,804
Depreciation of right-of-use assets	15	1,768	1,698
Amortisation of intangible assets	12	1,531	1,163
Impairment of investment	16	-	14,193
Net increase in/(release of) contingent consideration	16	58	(1,641)
Net foreign exchange gain	8	(148)	(22)
Share-based compensation charge		726	1,528
Share of loss of equity-accounted investees, net of tax	16	30	165
Increase in provisions		212	197

		45,490	46,280
Working capital adjustments			
Increase in trade receivables and other assets		(14,775)	(8,474)
(Increase)/decrease in inventories		(4,075)	158
Increase/(decrease) in trade payables and other liabilities		16,128	(4,960)
		(2,722)	(13,276)
Cash generated by operations		42,768	33,004
Income tax paid		(11,462)	(8,267)
Net cash flow from operating activities		31,306	24,737
Investing activities			
Interest received	8	8	139
Funds placed on short-term deposit	17	12,323	-
Payments to acquire intangible assets	12	(1,702)	(1,889)
Proceeds from sale of property, plant and equipment		122	113
Purchase of property, plant and equipment	14	(3,398)	(4,373)
Net cash flow from investing activities		7,353	(6,010)
Financing activities			
Increase in borrowings	19	7,620	424
Interest paid		(2,654)	(2,128)
Purchase of own shares	21	(3,778)	(3,841)
Payment of lease liabilities		(1,872)	(1,860)
Dividends paid to equity holders of the Parent		(35,850)	(12,499)
Net cash flow from financing activities		(36,534)	(19,904)
Net increase/(decrease) in cash and cash equivalents		2,125	(1,177)
Cash and cash equivalents at the start of the period	18	42,747	63,437
Effect of exchange rates on cash and cash equivalents		674	(2,359)
Cash and cash equivalents at the end of the financial period	18	45,546	59,901

Notes to the interim condensed consolidated financial statements

For the six months ended 31 March 2021

1. Corporate information

The interim condensed consolidated financial statements of Stock Spirits Group PLC (the Company) and its subsidiaries (the Group) for the six months ended 31 March 2021 were authorised for issue in accordance with a resolution of the directors on 12 May 2021.

Stock Spirits Group PLC is domiciled in England. The Company's registered office is at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH, United Kingdom.

The Company, together with its subsidiaries, is involved in the production and distribution of branded spirits in Central and Eastern Europe and Italy.

2. Basis of preparation

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 30 September 2020.

The financial information contained in this interim statement, which is unaudited, does not constitute statutory accounts as defined by the Companies Act 2006. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 September 2020. The annual financial statements of the Group were prepared in accordance with International Accounting Standards (IFRSs), as adopted by the European Union, and can be found on the Group's website at www.stockspirits.com. International Accounting Standards are issued by the International Accounting Standards Board (IASB).

The Group's annual financial statements for the year ended 30 September 2020 have been reported on by the Company's auditor and delivered to the registrar of companies. The report was (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements for the six months ended 31 March 2021 have been prepared on a going concern basis in accordance with IAS 34 *Interim Financial Reporting* adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The annual financial statements of the group for the year ended 30 September 2021 will be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the interim condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 30 September 2020 which were prepared in accordance with IFRSs as adopted by the EU.

The financial information for the six months ended 31 March 2021 and the comparative financial information for the six months ended 31 March 2020 has not been audited, but has been reviewed.

The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. After making enquiries, the Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group will remain compliant with the covenant requirements under the Group's revolving credit facility ("RCF") and have adequate resources to continue in operational existence for a period of at least 12 months from date of approval of the interim condensed consolidated financial statements.

In making this assessment, the Directors have taken into consideration that continued actions have been required by most governments to contain the spread of COVID-19, with the spirits industry impacted by restricted openings of on-trade outlets (bars, restaurants and hotels) and reduced sales in duty-free (primarily within airports) as a consequence of travel limitations. The effect of this has been largely offset by increased sales in the off-trade (supermarkets and convenience stores), however the ultimate impact of the pandemic will not be known until the spread of the virus is contained.

While the core markets in which the Group operates are experiencing a third wave of the pandemic, the Directors expectations that this should not have a material impact on the Group remains consistent with the assessment made in the 2020 Annual Report and Accounts, largely due to:

- The Group having implemented sensible precautions to protect its own employees against the spread of COVID-19 and to minimise any disruption to its business; and
- The impact on the on-trade channel is expected to be mitigated by shifts in consumer demand into the off-trade channels.

At 31 March 2021, the Group held cash and cash equivalents of €45.5m (2020: €42.7m) and had a €200m RCF, of which €78.9m (2020: €70.6m) was drawn and a further €14.0m (2020: €14.0m) was utilised for customs guarantees in Italy and Germany, thereby leaving access to funds of €107.1m (2020: €115.4m) which could be drawn at short notice. Details of the terms of the RCF are set out in note 19.

On 7 May 2021 the Group replaced its RCF and signed a new facilities agreement for a €200,000,000 with a banking club consisting of five banks including Raiffeisen Bank International, who will also act as the Agent, to replace the existing facility. The term of the RCF is 3 years and is not subject to annual renewal. Consistent with the previous RCF, the new facility allows for factoring of receivables up to a total of €70m, which can be utilised to meet short-term working capital requirements if necessary.

The Group had positive free cash flow and met its covenant requirements throughout the period ended 31 March 2021.

The Group's forecasts and projections, taking account of reasonably plausible changes in trading performance, show that the Group will continue to be able to operate within the level of its current available facilities and maintain comfortable covenant headroom.

These projections include the impact resulting from COVID-19 and a consequent economic downturn in the markets in which the Group operates, as well as the impact of the introduction of a Polish small format tax.

The consolidated financial information is presented in Euros ('€'). The closing foreign exchange rates used to prepare these financial statements are as follows:

	31 March 2021	*31 March 2020*	*30 September 2020*
PLN	4.66	4.55	4.54
CZK	26.15	27.33	27.21
GBP	0.85	0.89	0.91
CHF	1.11	1.06	1.08

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statement are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2020, except for the adoption of amendments to existing standards as of 1 October 2020, as noted below.

New and amended standards adopted by the Group in 2021

The following amendments to existing standards and interpretations were effective in the period to 31 March 2021, but were either not applicable or did not have a material impact on the Group:

Amendments to References to Conceptual Framework in IFRS Standards
Definition of Business - amendment to IFRS 3
Definition of Material - amendments to IAS 1 and IAS 8
Interest Rate Benchmark Reform (Phase 1) - amendments to IFRS 9, IAS 39 and IFRS 7
Covid-19-Related Rent Concessions - amendment to IFRS 16

4. Use of estimates and judgements

The preparation of the interim financial information requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses. These are discussed on page 143 of the Group's 2020 annual financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

5. Segmental analysis

In identifying its operating segments, management follows the Group's geographic split, representing the main products traded by the Group. The Group is considered to have five reportable operating segments: Poland, Czech Republic, Italy, Other Operational and Corporate. The 'Other Operational' segment consists of the results of operations of the Slovakian, International and Baltic Distillery entities. The 'Corporate' segment consists of expenses and central costs incurred by non-trading Group entities.

Each operating segment is managed separately, as each of these geographic areas require different marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measure of revenue reported to the Chief Operating Decision-Maker to assess performance is based on external revenue for each operating segment and excludes intra-group revenues. The measure of adjusted EBITDA reported to the Chief Operating Decision-Maker to assess performance is based on operating profit and excludes intra-group profits, depreciation, amortisation, share of results of equity-accounted investees and exceptional items.

Total assets and liabilities are not disclosed, as this information is not provided by segment to the Chief Operating Decision-Maker on a regular basis.

31 March 2021	*Poland €000*	*Czech Republic €000*	*Italy €000*	*Other Operational €000*	*Corporate €000*	*Total €000*
External revenue	104,345	45,221	18,629	15,230	-	183,425
Adjusted EBITDA	29,093	15,013	2,063	2,790	(4,442)	44,517

	Poland	*Czech Republic*	*Italy*	*Other*	*Corporate*	*Total*

31 March 2020	€000	€000	€000	Operational €000	€000	€000
External revenue	104,885	54,202	14,752	15,773	-	189,612
Impact of foreign exchange movements	(4,882)	(1,833)	-	-	-	(6,715)
External revenue at constant currency	100,003	52,369	14,752	15,773	-	182,897
Adjusted EBITDA	28,512	19,830	760	1,995	(5,482)	45,615
Impact of foreign exchange movements	(1,278)	(766)	-	-	193	(1,851)
Adjusted EBITDA at constant currency	27,234	19,064	760	1,995	(5,289)	43,764

Disaggregation of revenue is by operating segment only. This also equates to primary geographical market. Revenue other than from sales of branded spirits represents a very small proportion of total revenue. Products are largely transferred at a point in time so there is limited variance in the timing of revenue recognition.

Seasonality

Sales of spirits beverages are somewhat seasonal, with the fourth calendar quarters accounting for the highest sales volumes. The volume of sales may be affected by both weather conditions and public holidays.

6. Adjusted EBITDA and free cash flow

The Group defines adjusted EBITDA as operating profit before depreciation and amortisation, exceptional items and the share of results of equity-accounted investees. The Group defines adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue.

The Group defines free cash flow as cash generated from operating activities (excluding income tax paid), plus the proceeds from the sale of property, plant and equipment and proceeds from the disposal of intangible assets less cash used for the acquisition of property, plant or equipment and for the acquisition of intangible assets. Adjusted free cash flow conversion is free cash flow as a percentage of adjusted EBITDA.

Adjusted EBITDA, adjusted EBITDA margin and adjusted free cash flow conversion are supplemental measures of the Group's performance and liquidity that are not required to be presented in accordance with International Accounting Standards.

The Directors use adjusted EBITDA, adjusted EBITDA margin and adjusted free cash flow conversion as key performance measures of the business. They remove significant items that would otherwise distort comparability.

The use of these alternative performance measures is consistent with how institutional investors consider the performance of the Group. The measures are not defined in International Accounting Standards and thus may not be comparable to similarly titled measures by other companies.

Adjusted EBITDA

	For the six months ended 31 March 2021	*For the six months ended 31 March 2020*
	€000	*€000*
Operating profit	37,888	24,967
Net exceptional expenses (note 7)	-	13,818
Share of results of equity-accounted investees, net of tax (note 16)	30	165
	37,918	38,950
Depreciation and amortisation (note 12,14,15)	6,599	6,665
Adjusted EBITDA	44,517	45,615
Adjusted EBITDA margin	24.3%	24.1%

Free cash flow

	For the six months ended 31 March 2021 €000	*For the six months ended 31 March 2020 €000*
Cash generated by operations	42,768	33,004
Payments to acquire property, plant and equipment	(3,398)	(4,373)
Payments to acquire intangible assets	(1,702)	(1,889)
Proceeds from sale of property, plant and equipment	122	113
Free cash flow	37,790	26,855
Adjusted free cash flow conversion	84.9%	58.9%

7. Exceptional items

	For the six months ended 31 March 2021 €000	*For the six months ended 31 March 2020 €000*
Exceptional income:		
Net release of contingent consideration[1]	-	1,641
Total exceptional income	-	1,641
Exceptional expense:		
Impairment of equity-accounted investment in Quintessential Brands Ireland Whiskey Limited[2]	-	14,193
Costs associated with mergers and acquisitions [3]	-	1,266
Total exceptional expense	-	15,459
Net exceptional expenses	-	13,818

1. In March 2020 there was a net release of provisions for contingent consideration relating to past acquisitions. This was predominantly in respect of the investment in Quintessential Brands Ireland Whiskey Limited. Due to the size of the change in the provision, and for consistent presentation with the impairment expense (refer to reference 2 below), this has been disclosed as an exceptional item.
2. The occurrence of the Coronavirus pandemic provided objective evidence that the Group's equity investment in Quintessential Brands Ireland Whiskey Limited (QBIWL) may have been impaired at March 2020. The consequent impairment review for the investment identified the need to impair the carrying value of the investment in QBIWL by €14,193,000. Due to the nature and size of the impairment, this has been disclosed as an exceptional item.
3. Expenses of €1,266,000 were incurred on advisory and legal costs over the 6 months to March 2020 in pursuit of the Group's strategy in respect of mergers and acquisitions.

8. Finance income and costs

	For the six months ended 31 March 2021 €000	*For the six months ended 31 March 2020 €000*
Finance income:		
Foreign currency exchange gain	148	22
Interest income	8	139
Total finance income	156	161
Finance costs:		
Interest payable on bank overdrafts and loans	404	1,073
Bank commissions, guarantees and other payables	388	354
Interest payable on lease liabilities	235	262
Change in fair value of deferred and contingent consideration	150	145
Other interest expense	426	497
Total finance costs	1,603	2,331
Net finance costs	1,447	2,170

Other interest includes interest and fees paid by Stock Polska Sp. z.o.o under reverse factoring arrangements totalling €398,000 (six months ended 31 March 2020: €452,000).

9. Income taxes

The Group calculates the interim period income tax expense by applying the annual effective income tax rate that would be applicable to the expected total earnings for the full 12 month reporting period to 30 September 2021 and 30 September 2020. The major components of income tax expense in the interim condensed consolidated income statement are:

	For the six months ended 31 March 2021 €000	*For the six months ended 31 March 2020 €000*
Current income tax		
Current period income tax charge	8,002	10,524
Tax credit relating to prior periods	(139)	(223)
Other taxes	17	17
Deferred income tax		
Origination and reversal of temporary differences	421	(2,210)
Total tax expense	8,301	8,108

The Group is a sizeable international drinks business, operating across multiple jurisdictions, subject to different tax regimes. Intercompany cross border transactions are subject to transfer pricing regulations. As tax and transfer pricing - where regulations and their interpretation may vary considerably - is an area of inherent risk, tax positions adopted by the Group and its cross border intercompany transactions may be subject to challenge by the relevant tax authorities. Although the Group aims to comply with applicable laws and regulations and operates an OECD principles based transfer pricing model, at each balance sheet date the Group undertakes a review of potential tax risks and tax positions and, whilst it is not possible to predict the outcome of any pending enquiries, ensures that adequate provisions are made in the Group accounts to cover any associated cash outflows and estimated future settlements.

Provisions against uncertain tax and transfer pricing positions are based on management's assessment of the most likely or expected outcome, however, due to the nature of the underlying items and likelihood of further developments, there is a reasonable possibility of material changes to these estimates over the next 12 months.

As at 31 March 2021, the Group has recognised tax, interest and penalties provisions totalling €3.5m (30 September 2020: €3.5m) in relation to matters where it is probable that tax positions adopted by the Group may not ultimately be sustained by the relevant authorities. These tax provisions are included in income tax payable on the balance sheet.

There have been no significant developments in Germany in respect of the ongoing tax enquiries into the 2016 - 2018 Corporate Income Tax returns of Baltic Distillery GmbH.

In Italy, there have been no significant developments in respect of the tax dispute relating to 2009 - 2010. As at 31 March 2021, provisions held in respect of issues under dispute remain unchanged.

On 1 March 2021, the Czech Republic District Administrative Court issued an unfavourable judgement in respect of the Stock Plzeň-Božkov s.r.o. appeal against the 2011 Corporate Income Tax assessment disallowing certain intra-group management recharges. As the judgement contradicts a substantial body of evidence submitted by the company, an appeal was submitted on 15 March 2021 to the Supreme Administrative Court. As tax and penalties relating to the assessment were paid in May 2018, and given that no receivable has been recognised in respect of the amount paid, there is no cash outflow or further exposure associated with the appeal.

During the period there have been no significant developments in Poland regarding the appeal against the €4.3m assessment issued by the tax authorities in respect of the 2013 Corporate Income Tax return, relating to pre-IPO intra-group intellectual property restructuring and management recharges.

With regard to the amortisation of the intellectual property, representing €3.5m of the total assessment, the Group's view remains unchanged and, on the basis of all the available evidence and professional opinions, the Group considers that the position adopted by it will ultimately prevail. Therefore, the Group continues to recognise a receivable against the amount assessed. The remaining €0.8m relating to the deductibility of the intra-group management recharges has been fully provided for and no receivable has been recognised in respect of the amount paid.

The tax audit of the 2014 Corporate Income Tax return is currently ongoing, with no significant developments in the period. If the tax authority adopts an approach similar to the audit of the 2013 Corporate Income Tax return, the amount of tax at stake for the period relating to both the intellectual property restructuring and management recharges, and including interest, is approximately €9m. Amounts in respect of management recharges have been provided for within the €3.5m tax provision identified above.

Whilst not subject to enquiries, the tax impact of deductions claimed in respect of the amortisation of the intellectual property in each of the subsequent years from 2015 to 2017 are in the range between €5.8m and €6.3m. This, together with late interest at the prescribed rate of 8%, represents the Group's maximum possible exposure associated with the issue. Management considers that ultimately it is probable that the adopted tax position will be sustained and therefore no provision has been recognised.

On 3 December 2020, Stock Polska Sp. z.o.o. received a decision from the Polish Tax Authorities in respect of the 2015 tax audit which focused on intra-group funding and withholding tax. An assessment amounting to €4.3m, representing withholding tax, interest and penalties on inter-company interest payments, was received and paid in full. Following an unsuccessful administrative appeal to the Tax Authority issuing the assessment, an appeal to the District Administrative Court was lodged on 22 March 2021. The Group believes the basis of the assessment to be incorrect as intra-group interest payments are covered by the EU Interest and Royalties Directive, and has therefore recognised a receivable against the amount assessed and paid.

Change in tax rates

As part of the 2020 UK Budget, it was announced that the UK tax rate would remain at 19% for the 2020 and 2021 tax years. In the 2021 UK Budget it was further announced that the UK tax rate would continue at 19% for the 2022 tax year, before rising to 25% from April 2023.

The proposed change has no effect on the Group's result as the Group does not recognise deferred tax in the UK, mainly due to structural losses.

9. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent for the period by the weighted average number of Ordinary shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of Ordinary shares outstanding during the period plus the weighted average number of Ordinary shares that would be issued on conversion of all the dilutive potential Ordinary shares into Ordinary shares. Adjusted earnings per share amounts exclude the impact of the exceptional items that would otherwise distort comparability and understanding of the underlying performance of the Group.

Details of the earnings per share are set out below:

	For the six months ended 31 March 2021	*For the six months ended 31 March 2020*
Basic earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	28,140	14,689
Weighted average number of Ordinary shares in issue for basic earnings per share ('000)	199,376	198,178
Basic earnings per share (€cents)	14.11	7.41

	For the six months ended 31 March 2021	*For the six months ended* 31 March 2020
Diluted earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	28,140	14,689
Weighted average number of diluted Ordinary shares adjusted for the effect of dilution ('000)	199,807	200,278
Diluted earnings per share (€cents)	14.08	7.33
Adjusted basic earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	28,140	14,689
Net exceptional expenses (€'000)	-	13,818
Profit attributable to the equity shareholders of the Company before exceptional income and exceptional expenses (€'000)	28,140	28,507
Weighted average number of Ordinary shares in issue for basic earnings per share ('000)	199,376	198,178
Adjusted basic earnings per share (€cents)	14.11	14.38
Adjusted diluted earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	28,140	14,689
Net exceptional expenses (€'000)	-	13,818
Profit attributable to the equity shareholders of the Company before exceptional income and exceptional expenses (€'000)	28,140	28,507
Weighted average number of diluted Ordinary shares adjusted for the effect of dilution ('000)	199,807	200,278
Adjusted diluted earnings per share (€cents)	14.08	14.23
Reconciliation of basic to diluted Ordinary shares		
Issued Ordinary shares ('000)	200,000	200,000
Effect of own shares held ('000)	(1,792)	(1,822)
Effect of vesting of share options ('000)	1,168	-
Basic weighted average number of Ordinary shares ('000)	199,376	198,178
Effect of options ('000)	431	2,100
Diluted weighted average number of Ordinary shares ('000)	199,807	200,278

All of the share awards are dilutive.

There have been no material transactions involving the Group's Ordinary shares between the reporting date and the date of authorisation of these financial statements.

11. Intangible assets - goodwill

	31 March 2021 *€000*	*30 September 2020* *€000*
Cost**:**		
As at start of period	85,927	88,932
Currency translation differences	1,374	(3,005)
As at end of period	87,301	85,927
Accumulated impairment:		
As at start of period	39,132	39,132
As at end of period	39,132	39,132
Carrying amount at end of period	48,169	46,795

12. Intangible assets - other

The movement in intangible assets for the six-month period ended 31 March 2021 was as follows:

	Brands	*Distributor contracts*	*Customer Relationships and Trademarks*	*Software*	*Assets under construction*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*
At 1 October 2020, cost, net of accumulated amortisation	293,342	1,771	5,346	2,399	3,573	306,431
Additions	-	-	-	227	1,059	1,286
Transfers	-	-	-	172	(233)	(61)
Amortisation expense	(2)	(290)	(222)	(1,017)	-	(1,531)
Foreign currency adjustment	5,832	112	(6)	25	252	6,215
At 31 March 2021, cost, net of accumulated amortisation	299,172	1,593	5,118	1,806	4,651	312,340

The movement in intangible assets for the year ended 30 September 2020 was as follows:

	Brands	*Distributor contracts*	*Customer Relationships and Trademarks*	*Software*	*Assets under construction*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*
At 1 October 2019, cost, net of accumulated amortisation	314,648	2,458	5,702	3,477	433	326,718
Additions	-	-	-	649	3,150	3,799
Disposals	-	-	-	(244)	-	(244)
Amortisation expense	(5)	(585)	(353)	(1,376)	-	(2,319)
Impairment charge	(9,591)	-	-	-	-	(9,591)
Foreign currency adjustment	(11,710)	(102)	(3)	(107)	(10)	(11,932)
At 30 September 2020, cost, net of accumulated amortisation	293,342	1,771	5,346	2,399	3,573	306,431

Included in the carrying amount of assets under construction at 31 March 2021 is an amount of €3,157,000 (30 September 2020: €1,909,000) related to internal costs incurred in the development of a single ERP system for use across the Group. Implementation of this system is expected to be concluded during the year ending 30 September 2022, at which point the costs capitalised will start to be amortised.

13. Impairment of goodwill and intangibles with indefinite lives

In assessing whether there is any indication that goodwill and intangibles with indefinite lives may be impaired, both external sources of information (such as the continuing impact of the Coronavirus pandemic) and internal sources of information (including internal reporting evidencing performance to be below management's expectations) are considered.

This assessment was completed at the cash-generating-unit (CGU) level, with no indicators of impairment identified in any of the Group's CGUs.

14. Property, plant and equipment

The movement in property, plant and equipment for the six-month period ended 31 March 2021 was as follows:

	Land and buildings	*Technical equipment*	*Other equipment*	*Assets under construction*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*
At 1 October 2020, cost, net of accumulated depreciation	25,943	17,142	4,430	4,124	51,639

Additions	54	154	511	1,604	2,323
Disposals	-	(85)	(11)	(2)	(98)
Transfers	331	327	153	(750)	61
Depreciation expense	(471)	(1,797)	(1,032)	-	(3,300)
Foreign currency adjustment	417	(70)	(12)	(13)	322
At 31 March 2021, cost, net of accumulated depreciation	26,274	15,671	4,039	4,963	50,947

The movement in property, plant and equipment for the year ended 30 September 2020 was as follows:

	Land and buildings	*Technical equipment*	*Other equipment*	*Assets under construction*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*
At 1 October 2019, cost, net of accumulated depreciation	27,109	20,399	1,417	4,607	53,532
Additions	598	2,123	2,158	2,741	7,620
Disposals	(74)	(481)	(68)	(52)	(675)
Transfers	273	248	2,428	(2,949)	-
Depreciation expense	(952)	(4,680)	(1,508)	-	(7,140)
Foreign currency adjustment	(1,011)	(467)	3	(223)	(1,698)
At 30 September 2020, cost, net of accumulated depreciation	25,943	17,142	4,430	4,124	51,639

15. Right-of-use assets

The movement in right-of-use assets for the six-month period ended 31 March 2021 was as follows:

	Right-of-use land and buildings	*Right-of-use other equipment*	*Total*
	€000	*€000*	*€000*
At 1 October 2020, cost, net of accumulated depreciation	10,093	1,542	11,635
Additions	243	80	323
Depreciation expense	(1,418)	(350)	(1,768)
Foreign currency adjustment	(18)	31	13
At 31 March 2021, cost, net of accumulated depreciation	8,900	1,303	10,203

The movement in right-of-use assets for the year ended 30 September 2020 was as follows:

	Right-of-use land and buildings	*Right-of-use other equipment*	*Total*
	€000	*€000*	*€000*
At 1 October 2019, cost, net of accumulated depreciation	10,194	1,623	11,817
Additions	2,903	778	3,681
Disposals	(27)	(68)	(95)
Depreciation expense	(2,799)	(769)	(3,568)
Foreign currency adjustment	(178)	(22)	(200)
At 30 September 2020, cost, net of accumulated depreciation	10,093	1,542	11,635

16. Investment in equity-accounted investees

On 17 July 2017, Stock Spirits entered into an agreement with Quintessential Brands Group for the acquisition of a 25% equity interest in Quintessential Brands Ireland Whiskey Limited (QBIWL), representing 25,001 B Ordinary shares, for a cash consideration of up to €18,333,000. Consideration comprised an initial cash payment of €15,000,000 for 25% of the equity interest, and a contingent consideration of up to €3,333,000 which is payable over the period November 2020 to May 2022, subject to performance conditions.

QBIWL owns The Dublin Liberties Irish Whiskey© and the Dubliner Irish Whiskey© brands, a range of ultra-premium through to standard Irish whiskies. The principal place of business of QBIWL is Dublin, Ireland.

The investment was made to enable the Group to capitalise on the growing whiskey category, and to enhance our whiskey expertise.

The registered address of QBIWL is Tullyroe, Mountrath Road, Abbeyleix, Co. Laois, R32 K230, Republic of Ireland. The latest audited accounts for QBIWL were prepared for the year ended 31 March 2020.

The Group's share of the loss of QBIWL for the period is €30,000 (31 March 2020: loss of €165,000). There has been a corresponding reduction in the carrying value of the investment to reflect the Group's share of the loss. No dividend has been received from QBIWL by the Group.

As discussed in note 7, in 2020 the occurrence of the Coronavirus pandemic provided objective evidence that the Group's equity investment in QBIWL may be impaired. The impairment review for the investment identified the need to impair the carrying value of the investment in QBIWL by €14,193,000 in March 2020. The non-cash impairment loss reduced the carrying value of the investment in QBIWL to €2,100,000. Due to the nature and size of the impairment, this was disclosed as an exceptional expense.

17. Short-term deposits

	31 March 2021	*30 September 2020*
	€000	*€000*

Term deposits	6,471	18,132

Short-term deposits comprise term deposits with maturities ranging from three months to one year. The credit rating of the financial institution at which funds have been deposited is AA or equivalent.

No loss allowance for expected credit losses has been recognised on term deposits as this risk is considered to be immaterial.

18. Cash and cash equivalents

For the purposes of the condensed consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period, as shown in the condensed consolidated statement of cash flows, can be reconciled to the related items in the statement of financial position as follows:

	31 March 2021 €000	*30 September 2020 €000*
Cash and bank balances	45,546	42,747

Cash and cash equivalents are denominated in the following currencies:

	31 March 2021 €000	*30 September 2020 €000*
Sterling	5,499	4,688
Euro	11,644	12,072
Czech Koruna	16,611	12,380
Polish Zloty	10,600	12,492
Other currencies	1,192	1,115
Total	45,546	42,747

19. Borrowings

	Current 31 March 2021 €000	*Non-current 31 March 2021 €000*	*Current 30 September 2020 €000*	*Non-current 30 September 2020 €000*
Unsecured - at amortised cost				
HSBC loan	-	78,910	-	70,555
Cost of arranging bank loan	-	(7)	-	(16)
	-	78,903	-	70,539

At 31 March 2021 the Group had a facilities agreement for a €200,000,000 revolving credit facility (RCF) with a banking club consisting of five banks including HSBC, who also act as the Agent. The original term of the RCF was five years to November 2020. On 21 July 2017, the Group extended the facilities agreement by a further 2 years to November 2022. The key facility terms remained unchanged. At 31 March 2021, borrowings have been classified as non-current as settlement was not required until the end of the facility term in November 2022.

On 7 May 2021 the Group signed a new facilities agreement for a €200,000,000 RCF with a banking club consisting of five banks including Raiffeisen Bank International, who will also act as the Agent, to replace the existing facility. The term of the RCF is 3 years.

As with the former arrangement, the new facility is fully flexible and allows the Group to benefit from being able to increase or reduce borrowings as required, and effectively utilise balance sheet cash. Margins have remained largely consistent with the previous facility. Each of the drawings under the new RCF will continue to be drawn down in local currencies. The loans bear variable rates of interest which are linked to WIBOR, PRIBOR, EURIBOR or SONIA as appropriate. As with the previous facility each of the loans have a variable margin element to the interest charge. The margin is linked to a ratchet mechanism, subject to a minimum margin, as the Group's leverage covenant changes.

Costs of arranging the new Group banking facilities will be deducted from the original measurement of the loan facilities and amortised into finance costs throughout the term of the loan using the effective interest method.

As well as the RCF drawings of €78,910,000 as at 31 March 2021 (30 September 2020: €70,555,000), an additional €14,037,000 (30 September 2020: €14,037,000) of the RCF was utilised for customs guarantees in Italy and Germany. These custom guarantees reduce the available RCF, but do not constitute a balance sheet liability.

20. Financial assets and liabilities

Set out below is a comparison by category of carrying amounts which approximate fair values of all of the Group's financial instruments that are carried in the financial statements.

As at 31 March 2021

	Financial assets and liabilities at amortised cost €000	*Financial liabilities at Fair Value Through Profit and Loss (FVTPL) €000*	*Total book value €000*
Financial assets:			
Cash and cash equivalents (note 18)	45,546	-	45,546
Short-term deposits (note 17)	6,471	-	6,471
Trade and other receivables	108,368	-	108,368
Customs deposits	4,661	-	4,661
Financial liabilities:			
Interest-bearing loans and borrowings:			
(i) Lease obligations	(11,420)	-	(11,420)
(ii) Floating rate borrowings - banks (note 19)	(78,903)	-	(78,903)
Trade and other payables	(71,803)	-	(71,803)

Contingent consideration	-	(2,884)	(2,884)
Deferred consideration	-	(1,849)	(1,849)

As at 30 September 2020

	Financial assets and liabilities at amortised cost	*Financial liabilities at Fair Value Through Profit and Loss (FVTPL)*	*Total book Value*
	€000	*€000*	*€000*
Financial assets:			
Cash and cash equivalents (note 18)	42,747	-	42,747
Short-term deposits (note 17)	18,132	-	18,132
Trade and other receivables	92,383	-	92,383
Customs deposits	4,483	-	4,483
Financial liabilities:			
Interest-bearing loans and borrowings:			
(i) Lease obligations	(13,002)	-	(13,002)
(ii) Floating rate borrowings - banks (note 19)	(70,539)	-	(70,539)
Trade and other payables	(80,258)	-	(80,258)
Contingent consideration	-	(2,698)	(2,698)
Deferred consideration	-	(1,826)	(1,826)

At 31 March 2021 and 30 September 2020, contingent and deferred consideration are measured at fair value (level 3). There are no further financial instruments and therefore an analysis using the fair value hierarchy has not been performed.

21. Authorised and issued share capital and reserves

Share capital of Stock Spirits Group PLC

	31 March 2021	*30 September 2020*
Number of shares		
Ordinary shares of £0.10 each, issued and fully paid	200,000,000	200,000,000
Ordinary shares (€000)	23,625	23,625

Merger reserve

On 21 October 2013, 129,064,871 shares were issued in exchange for shares in OCM Luxembourg Spirits Holdings S.à.r.l. The net book value of OCM Luxembourg Spirits Holdings S.à.r.l. at the time of exchange was €114,279,000, which resulted in €99,033,000 being credited to the merger reserve in line with merger relief provided by Section 612 of the Company Act 2006.

Consolidation reserve

As the Group was formed through a reorganisation in which the Company became the new Parent entity of the Group, the 2013 Consolidated Financial Statements were prepared as a continuation of the existing Group using the pooling of interests method (or merger accounting). Merger accounting principles for this combination gave rise to a consolidation reserve of €5,130,000.

Own share reserve

The own share reserve comprises the cost of the Company's shares held by the Group. The Employment Benefit Trust (EBT) holds these shares on behalf of the employees until the options are exercised. During the six months ended 31 March 2021 1,150,000 shares were purchased by the EBT on behalf of the Group to satisfy the vesting of options under the current share schemes (30 September 2020: 1,500,000 shares purchased). This resulted in an increase in the own share reserve of €3,778,000 (30 September 2020: €3,841,000). At 31 March 2021 the Group held 1,331,967 of the Company's shares (30 September 2020: 1,678,337).

On the exercise of options in the period, €3,587,000 (30 September 2020: €2,621,000) was credited to the own share reserve, with the corresponding charge to retained earnings.

The EBT holds the shares at cost.

Other reserve

Other reserves include the credit to equity for equity-settled share-based payments. The charge for the six months ended 31 March 2021 was €726,000 (30 September 2020: €2,864,000). On the exercise of Performance Share Plan, Restricted Stock, Deferred Annual Bonus Plan, and IPO options in the period, €3,890,000 (30 September 2020: €2,495,000) was debited from other reserves and credited to retained earnings. A further €7,268,000 was debited from other reserves and credited to retained earnings in the period for share options issued at IPO which were exercised in previous periods.

Foreign currency translation reserve

	31 March 2021 €000	*30 September 2020 €000*
Foreign currency translation reserve	2,663	(4,472)

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Euros are accounted for by entries made directly to the foreign currency translation reserve.

22. Distributions

An interim dividend of 2.98 Euro cents per ordinary share (2020: 2.77 Euro cents per ordinary share) has been declared by the Board in respect of the six months ended 31 March 2021 and will be paid on 18 June 2021. The dividend payable has not been recognised as a liability at 31 March 2021.

23. Related party transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

There were no transactions with related parties during the six month period ended 31 March 2021 (31 March 2020: €nil), other than compensation of key management personnel and transactions with QBIWL and its related entities.

The following tables provide the total amount of transactions that have been entered into with QBIWL and its related entities for the six months to 31 March 2021 and 31 March 2020.

March 2021	*Sales of goods/services €'000*	*Purchases of goods/services €'000*	*Amounts owed by related parties €'000*	*Amounts owed to related parties €'000*
Subsidiaries:				
Stock S.r.l.	-	3	-	-
Stock d.o.o.	7	5	-	-
Stock Plzen-Bozkov s.r.o.	-	27	-	-
Stock Polska Sp. z.o.o.	-	72	-	-
	7	107	-	-

March 2020	*Sales of goods/services €'000*	*Purchases of goods/services €'000*	*Amounts owed by related parties €'000*	*Amounts owed to related parties €'000*
Subsidiaries:				
Stock S.r.l.	-	-	1	-
Stock d.o.o.	-	69	-	25
Stock Slovensko s.r.o.	-	15	-	12
Stock Plzen-Bozkov s.r.o.	-	14	-	-
Stock Polska Sp. z.o.o.	25	132	24	40
	25	230	25	77

The related party transactions for the year ended 30 September 2020 are disclosed in note 32 of the Stock Spirits Group PLC Annual Report for the year ended 30 September 2020.

24. Commitments for capital expenditure

Commitments for the acquisition of property, plant and equipment as of 31 March 2021 are €3,070,000 (31 March 2020: €613,000).

25. Events after the balance sheet date

On 7 May 2021 the Group signed a new facilities agreement for a €200,000,000 RCF with a banking club consisting of five banks including Raiffeisen Bank International, who will also act as the Agent, to replace the existing facility. The term of the RCF is 3 years. Refer to note 19 for further details.

There were no further events after the balance sheet date which require adjustment to or disclosure in these interim condensed consolidated financial statements.

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[1] Constant currency is calculated by converting the prior period results at current period FX rates

[2] The Company and its subsidiaries, Stock Spirits Group (the "Group") uses alternative performance measures as key financial indicators to assess underlying performance of the Group. Details of the basis of calculation for Adjusted EBITDA can be found in note 6 to the Unaudited Interim Condensed Consolidated Financial Statements

[3] Adjusted basic EPS excludes the impact from exceptional items

[4] Value market share on a moving annual total (MAT) basis

[5] Management estimate