

# Simonds Farsons Cisk plc Interim Report 2016

SIX MONTHS ENDED 31 JULY 2016

## INTERIM DIRECTORS' REPORT TRADING PERFORMANCE

The Board of Directors is pleased to present the results of the Farsons Group for the six months ended 31 July 2016.

Once again, the Group has delivered a robust financial performance with turnover and profits exceeding those attained in the comparable period of last year.

The Group achieved a turnover of close to €46 million, an increase of 4% over the previous year. Operating profit increased by €1 million, whilst profit for the period from continuing operations, at €5.5 million, exceeded last year's record figure by 20%.

A number of factors positively impacted these results including the strong growth of Malta's economy, buoyant tourist arrivals and expenditure that also contributed to the volume growth of the Group's

manufactured products portfolio, particularly within the core beer brands.

The performance of the franchised foods business has improved as compared to the same period last year, predominantly as a result of the opening of two new outlets.

The measures taken to address the performance of the food importation subsidiary have gained traction with a resulting improved turnover and profitability despite the continued challenges and intense competition within the sector.

The comparative results of last year for discontinued operations included a one-off material adjustment of €1.8 million attributable to amendments announced in 2015 to the taxation rules on capital gains that impacted the deferred tax liability.

### BEER PACKAGING FACILITY

The new state-of-the art beer packaging facility was officially inaugurated on 7th September 2016. The structure consists of three levels housing three packaging lines and ancillary storage of packaging materials.

This investment forms part of the Group's long term strategy aimed at achieving product excellence while improving competitiveness. This will better enable the Group to extend and expand the export reach of its business.

### ONGOING CAPITAL INVESTMENT

The construction of two additional floors to the office block to accommodate the Group's

administrative requirements as well as the extension of the logistics centre are currently underway.

### FARSONS BUSINESS PARK

It remains the Board's intention to present to the shareholders a formal request to approve the spin-off of a number of the Group's property assets including the main building of the old Brewery complex.

The planning application process is well underway and the project, once approved, is set to commence during the second half of 2017. Funding requirement options and details on the spin-off plan continue to be the subject of further analysis and preparation.

Additional work related to design and business planning is being carried out.

### BUSINESS OUTLOOK

The Group's business is highly dependent on the prevailing economic climate, consumer confidence and disposable income together with the performance of the tourism sector. The market remains highly competitive with constant pressures on volumes and margins.

National agendas remain focused on wider consumer health awareness which are resulting in dynamic consumer trends and behavior. The Group believes that this scenario offers challenges but also market opportunities going forward.

Efficiency improvements through investment, technology, innovation and cost containment remain ongoing, while the Group remains committed to internationalizing further its business through exports growth. While this strategy presents significant challenges, management believes that there are a number of new market opportunities, and the Board is committed to maintain its focus on this front, including the development of innovative products to meet market demand.

While the envisaged benefits from the investment in the beer packaging facility will start to be realized towards the latter part of the financial year, the full year's result will be impacted by the significant additional depreciation charge on this investment.

The Group is also monitoring potential adverse macro economic factors including any possible repercussions originating from continuing softness of economic growth across the EU and the ongoing situation following the UK referendum in favour of Brexit last June.

### DIVIDENDS

On 28 June 2016, following approval at the Annual General Meeting, the company paid a final dividend to the ordinary shareholders, out of tax-exempt profits, of €2.2 million in respect of the financial year ended 31 January 2016.

The Board of Directors is recommending a net interim dividend

of €1 million (2015: €1 million) in respect of the financial year ending 31 January 2017, payable on 19 October 2016 to the ordinary shareholders who will be on the Register of Members of the company as at 5 October 2016. The interim dividend will be paid out of tax exempt profits and is equivalent to €0.0333 (2015: €0.0333) per share.

### STATEMENT PURSUANT TO LISTING RULE 5.75.3 ISSUED BY THE LISTING AUTHORITY

I hereby confirm that to the best of my knowledge:

- The condensed interim financial information gives a true and fair view of the financial position of the group as at 31 July 2016, and of its financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim Financial reporting (IAS34); and
- The Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

*Luis Farrugia*

Louis A. Farrugia – Chairman  
28 September 2016

### CONDENSED CONSOLIDATED INCOME STATEMENT SIX MONTHS ENDED 31 JULY 2016

	Group	
	31 July 2016 (unaudited)	31 July 2015 (unaudited)
	€'000	€'000
<b>Continuing operations:</b>		
Revenue	45,789	44,207
Gross profit	18,212	17,101
Operating profit	6,451	5,486
Finance costs	(674)	(677)
Profit before tax	5,777	4,809
Tax expense	(242)	(224)
Profit for the period from continuing operations	5,535	4,585
<b>Discontinued operations:</b>		
Profit for the period from discontinued operations	5	1,751
Profit for the period	5,540	6,336
<b>Earnings per share for the period attributable to shareholders arising from:</b>		
- Continuing operations	0.185	0.153
- Discontinued operations	-	(0.058)
Earnings per share	€0.185	€0.211

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SIX MONTHS ENDED 31 JULY 2016

	Group	
	31 July 2016 (unaudited)	31 July 2015 (unaudited)
	€'000	€'000
Profit for the period	5,540	6,336
<b>Other comprehensive income:</b>		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	(37)	97
Other comprehensive income for the period	(37)	97
Total comprehensive income for the period	5,503	6,433

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2016

	Group	
	31 July 2016 (unaudited)	31 January 2016 (audited)
	€'000	€'000
<b>ASSETS</b>		
Non-current assets	101,044	97,608
Current assets	39,426	33,407
Non-current assets classified as held for sale	31,958	31,558
<b>Total assets</b>	<b>172,428</b>	<b>162,573</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves attributable to owners of the company	112,489	109,459
Non-current liabilities	31,867	26,128
Current liabilities	25,137	24,102
Liabilities directly attributable to non-current assets held for sale	2,935	2,884
<b>Total liabilities</b>	<b>59,939</b>	<b>53,114</b>
<b>Total equity and liabilities</b>	<b>172,428</b>	<b>162,573</b>

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY SIX MONTHS ENDED 31 JULY 2016

Group	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total €'000
<b>Period ended 31 July 2016</b>					
Balance at 1 February 2016	9,000	(919)	54,009	47,006	109,186
<b>Comprehensive income</b>					
Profit for the six months ended 31 July 2016	-	-	-	5,540	5,540
Cash flow hedges net of deferred tax	-	(37)	-	-	(37)
<b>Transactions with owners</b>					
Dividends	-	-	-	(2,200)	(2,200)
<b>Balance at 31 July 2016</b>	<b>9,000</b>	<b>(956)</b>	<b>54,099</b>	<b>50,346</b>	<b>112,489</b>
<b>Period ended 31 July 2015</b>					
Balance at 1 February 2015	9,000	(850)	53,221	38,864	100,235
<b>Comprehensive income</b>					
Profit for the six months ended 31 July 2015	-	-	-	6,336	6,336
Cash flow hedges net of deferred tax	-	97	-	-	97
Effects of changes in property tax rules	-	-	2,848	(1,778)	1,070
<b>Transactions with owners</b>					
Dividends	-	-	-	(2,000)	(2,000)
<b>Balance at 31 July 2015</b>	<b>9,000</b>	<b>(753)</b>	<b>56,069</b>	<b>41,422</b>	<b>105,738</b>

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS SIX MONTHS ENDED 31 JULY 2016

	Group	
	31 July 2016 (unaudited)	31 July 2015 (unaudited)
	€'000	€'000
Net cash generated from operating activities	1,938	4,015
Net cash used in investing activities	(6,181)	(5,300)
Net cash generated from/(used in) financing activities	3,463	(2,875)
<b>Net movement in cash and cash equivalents</b>	<b>(780)</b>	<b>(4,160)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,166</b>	<b>4,448</b>
<b>Cash and cash equivalents at end of period</b>	<b>386</b>	<b>288</b>

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

- This report is being published pursuant to the terms of Chapter 5 of the Listing Rules and the Prevention of Financial Markets Abuse Act 2005.
- The financial information being published has been extracted from the Simonds Farsons Cisk Group's unaudited interim financial statements for the six months ended 31 July 2016, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 - Interim Financial Reporting). In terms of Listing Rule 5.75.5, this interim report has not been audited by the group's independent auditors.
- 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 2016.
- The Group's operations consist of the brewing, production and sale of beer and branded beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, the operation of franchised food retailing establishments and property management. These operations are carried out, primarily, on the local market. An analysis by business segment of the group's turnover and operating profit is set out below:

	Brewing, production and sale of beer & branded beverages €'000	Importation and sale of food & beverages including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	Group €'000
<b>Period ended 31 July 2016</b>					
<b>Revenue</b>	25,792	16,650	7,032	-	<b>49,474</b>
Less: inter-segmental sales	(1,125)	(2,560)	-	-	<b>(3,685)</b>
	24,667	14,090	7,032	-	<b>45,789</b>
Segment results	5,695	1,130	567	-	<b>7,392</b>
Unallocated costs					<b>(941)</b>
Operating profit from continuing activities					<b>6,451</b>
Net finance costs					<b>(674)</b>
<b>Profit before tax</b>					<b>5,777</b>
Tax expense					<b>(242)</b>
<b>Profit from continuing operations</b>					<b>5,535</b>
<b>Profit from discontinued operations</b>				5	<b>5</b>
<b>Profit for the period</b>					<b>5,540</b>
<b>Period ended 31 July 2015</b>					
<b>Revenue</b>	24,846	16,422	6,281	-	<b>47,549</b>
Less: inter-segmental sales	(1,032)	(2,310)	-	-	<b>(3,342)</b>
	23,814	14,112	6,281	-	<b>44,207</b>
Segment results	4,791	1,151	470	-	<b>6,412</b>
Unallocated costs					<b>(926)</b>
Operating profit from continuing operations					<b>5,486</b>
Net finance costs					<b>(677)</b>
<b>Profit before tax</b>					<b>4,809</b>
Tax expense					<b>(224)</b>
<b>Profit from continuing operations</b>					<b>4,585</b>
<b>Profit from discontinued operations</b>				1,751	<b>1,751</b>
<b>Profit for the period</b>					<b>6,336</b>

- 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.
- The board has approved capital expenditure not provided for in these condensed financial statements amounting to €9.7 million.