



FARSONS GROUP

Farsons



SIMONDS FARSONS CISK plc INTERIM REPORT 2014 six months ended 31 July 2014



OUR VISION

Our vision is to grow our local and international business to establish the Farsons group as a regional player within the food and beverage sector.

OUR MISSION

- ▶ *Create and nurture world class brands which inspire the trust and loyalty of consumers.*
- ▶ *Champion customer relationships and build meaningful partnerships.*
- ▶ *Engage talent and empower employees to deliver sustainable and quality driven operations.*
- ▶ *Connect with the community and embrace our social and environmental responsibilities.*
- ▶ *Provide a fair return to shareholders to ensure long-term investment and profitable growth.*

OUR VALUES

Success
Teamwork
Respect
Integrity
Dynamism
Excellence

*Broadening our horizons, growing our business,
everyone makes a difference.*

| | | | | |
|---------------------------------------|---------|---------|---------|---------|
| Profit | | | | |
| Fair value of investment property | | | | (66) |
| Disposal of land and buildings | (1,495) | (1,346) | (1,588) | (1,780) |
| Other costs | 6,481 | 5,080 | 4,051 | 3,204 |
| Before taxation | (512) | (358) | (507) | (454) |
| Attributable to Ordinary shareholders | 5,969 | 4,722 | 3,544 | 2,750 |
| Dividends paid on Ordinary shares | 2,100 | 2,000 | 1,900 | 1,800 |
| Shareholders' funds | 81,925 | 80,180 | 82,160 | 84,140 |
| Reserves | 79,703 | 77,958 | 79,938 | 81,918 |
| Total capital employed | 121,628 | 121,178 | 122,068 | 122,958 |
| Shareholders' funds | 120,223 | 118,780 | 120,760 | 122,740 |
| Reserves | 118,001 | 116,538 | 118,520 | 120,520 |
| Total capital employed | 140,000 | 139,500 | 140,000 | 140,000 |

- 4 Interim Directors' Report
- 4 Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority
- 5 Condensed Consolidated Income Statement
- 5 Condensed Consolidated Statement of Comprehensive Income
- 5 Condensed Consolidated Statement of Financial Position
- 6 Condensed Consolidated Statement of Changes in Equity
- 6 Condensed Consolidated Statement of Cash Flows
- 7 Notes to the Condensed Consolidated Interim Financial Statements

Interim Directors' Report

TRADING PERFORMANCE

The board of directors is pleased to announce the Farsons group's interim results for the six months ending 31 July 2014.

The group registered another period of consistent and profitable performance with turnover and profits marginally exceeding those attained in the comparable period of last year.

Group turnover exceeded €41 million, an increase of 1.2% over last year. Operating profit increased by €67,000 whilst profit for the period, at €3.95 million, was marginally better than the record figure of last year.

The following factors impacted the results for the period in a positive manner:

- A good performance from a number of key brands
- The launches of new and innovative beer and beverage variants
- FIFA World Cup related initiatives
- Record number of tourists visiting Malta and increased tourist expenditure
- Continued GDP growth in the local economy
- Further consolidation of the group's beverage importation arm as a leader in its sector.

Notwithstanding the projected export growth, the recent geo-political instability within Libya has adversely impacted the immediate prospects for growth in this region.

The performance of Food Chain has been steady, albeit impacted by pre-opening costs, and is expected to improve following the opening of a new Burger King drive-thru restaurant at the end of July 2014.

Also, the food importation arm is facing various challenges and an action plan is in place in order to improve the business performance.

BUSINESS OUTLOOK

The market within which the group operates remains highly competitive, with constant pressures on volumes and margins. Efficiency improvements through investment, innovation, cost containment and exports growth will continue to be areas of focus and in line with group's strategic vision.

Construction works on the new state-of-the-art beer packaging facility are progressing on schedule. The facility is scheduled to be completed in April 2016.

FAIR VALUE OF PROPERTY

On 31 January 2008, following independent valuations of the group's properties that were carried out by two architectural firms, the board of directors approved a surplus in the value of its properties that were then incorporated within the group's consolidated balance sheet, with the surplus net of deferred tax being credited to reserves. These values were confirmed as at 31 January 2014.

A number of developments have taken place, including the scheduling of the brewery façade and the recent submission of the Farsons Business Park master plan. As a result, certain assumptions are in the course of being revisited, and it is possible that an adjustment to the property values may need to be recorded in the books of accounts. Such movement may have an impact on the equity of the group, and will be considered within the annual report for the financial year ending January 2015, once further analysis and

technical studies are undertaken. Such adjustments are not expected to have any impact on the operational results of the group.

In a separate company announcement issued on 17 September 2014, the board announced that it has approved a budget for the concept and design of the initial phases of the Farsons Business Park project. This phase is expected to be completed by June 2015, when further announcements on the progress of this project will be made at the Annual General Meeting.

UNRECOGNISED DEFERRED TAXATION

The manufacturing arm of the group has been availing itself of investment aid under the various investment tax credit schemes that were applicable until 30 June 2014. As reported within the note on deferred taxation in the annual report, the company has unrecognised deferred tax assets amounting to €15.5 million relating to unutilised investment tax credits. In view of the fact that the investment tax credit schemes have become more restrictive in respect of large undertakings, the group will be reviewing the extent to which all or part of these unrecognised deferred tax assets may be capable of utilisation in the foreseeable future. Any such recognition of these tax credits will be included in the accounts for the financial year ending January 2015, and would have a positive impact on the group's equity position.

The board believes that the outcome of the reviews relating to the fair value of property and unrecognised deferred taxation referred to above will not have a material impact on the reported shareholders' equity of the group.

DIVIDENDS

On 19 June 2014, following approval at the Annual General Meeting, the company paid a final dividend to the ordinary shareholders, out of tax-exempt profits, of €1.5 million in respect of the financial year ending 31 January 2014.

The board of directors is recommending a net interim dividend of €1 million (2013: €1 million) in respect of the financial year ending 31 January 2015, payable on 17 October 2014 to the ordinary shareholders who will be on the register of members of the company on 3 October 2014. The interim dividend will be paid out of tax exempt profits and is equivalent to €0.0333 (2013: €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 2014, 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
24 September 2014

Condensed Consolidated Income Statement

Six months ended 31 July 2014

| | GROUP | |
|------------------------------|--------------------------------------|--------------------------------------|
| | 31 July 2014 (unaudited) €'000 | 31 July 2013 (unaudited) €'000 |
| Revenue | 41,135 | 40,665 |
| Gross profit | 15,672 | 15,347 |
| Operating profit | 4,913 | 4,846 |
| Finance costs | (717) | (788) |
| Profit before tax | 4,196 | 4,058 |
| Tax expense | (244) | (238) |
| Profit for the period | 3,952 | 3,820 |
| Earnings per share | € 0.132 | € 0.127 |

Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 July 2014

| | GROUP | |
|--|--------------------------------------|--------------------------------------|
| | 31 July 2014 (unaudited) €'000 | 31 July 2013 (unaudited) €'000 |
| Profit for the period | 3,952 | 3,820 |
| Other comprehensive income: | | |
| Cash flow hedges net of deferred tax | (298) | 133 |
| Other comprehensive income for the period | (298) | 133 |
| Total comprehensive income for the period | 3,654 | 3,953 |

Condensed Consolidated Statement of Financial Position

As at 31 July 2014

| | GROUP | |
|--|--------------------------------------|---------------------------------------|
| | 31 July 2014 (unaudited) €'000 | 31 January 2014 (audited) €'000 |
| ASSETS | | |
| Non-current assets | 122,732 | 121,593 |
| Current assets | 38,977 | 28,942 |
| Total assets | 161,709 | 150,535 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves attributable to owners of the company | 97,428 | 95,274 |
| Non-current liabilities | 35,114 | 35,788 |
| Current liabilities | 29,167 | 19,473 |
| Total liabilities | 64,281 | 55,261 |
| Total equity and liabilities | 161,709 | 150,535 |

Condensed Consolidated Statement of Changes in Equity

Six months ended 31 July 2014

| | Share capital €'000 | Hedging reserve €'000 | Revaluation and other reserves €'000 | Retained earnings €'000 | Total equity €'000 |
|---|---------------------------|-----------------------------|---|-------------------------------|--------------------------|
| GROUP | | | | | |
| Period ended 31 July 2014 | | | | | |
| Balance at 1 February 2014 | 9,000 | (302) | 58,421 | 28,155 | 95,274 |
| Profit for the six months ended 31 July 2014 | - | - | - | 3,952 | 3,952 |
| Cash flow hedges net of deferred tax | - | (298) | - | - | (298) |
| Dividends | - | - | - | (1,500) | (1,500) |
| Balance at 31 July 2014 | 9,000 | (600) | 58,421 | 30,607 | 97,428 |
| Period ended 31 July 2013 | | | | | |
| Balance at 1 February 2013 | 9,000 | (426) | 58,421 | 24,930 | 91,925 |
| Profit for the six months ended 31 July 2013 | - | - | - | 3,820 | 3,820 |
| Cash flow hedges net of deferred tax | - | 133 | - | - | 133 |
| Dividends | - | - | - | (2,100) | (2,100) |
| Balance at 31 July 2013 | 9,000 | (293) | 58,421 | 26,650 | 93,778 |

Condensed Consolidated Statement of Cash Flows

Six months ended 31 July 2014

| | GROUP | |
|--|--|--------------------------------------|
| | 31 July 2014 (unaudited) €'000 | 31 July 2013 (unaudited) €'000 |
| Net cash from operating activities | 5,345 | 4,881 |
| Net cash used in investing activities | (3,637) | (3,867) |
| Net cash used in financing activities | (2,375) | (2,738) |
| Net movement in cash and cash equivalents | (667) | (1,724) |
| Cash and cash equivalents at beginning of period | 34 | (1,505) |
| Cash and cash equivalents at end of period | (633) | (3,229) |

Notes to the Condensed Consolidated Interim Financial Statements

1. This report is being published pursuant to the terms of Chapter 5 of the Listing Rules issued by the Listing Authority and the Prevention of Financial Markets Abuse Act 2005.

2. 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 2014, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 - Interim Financial Reporting). In terms of Listing Rule 5.75.5, this interim report has not been audited by the group's independent auditors.

3. The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 January 2014.

4. The group's operations consist of the brewing, production and sale of beer and branded beverages, the importation and sale of food and beverages, the operation of franchised food 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 €'000 | Operation of franchised food establishments €'000 | Property management €'000 | Group €'000 |
|----------------------------------|---|---|--|--|------------------------|
| Period ended 31 July 2014 | | | | | |
| Turnover | 23,967 | 14,460 | 5,406 | 468 | 44,301 |
| Less: inter-divisional sales | (866) | (1,963) | - | (337) | (3,166) |
| | <u>23,101</u> | <u>12,497</u> | <u>5,406</u> | <u>131</u> | <u>41,135</u> |
| Segment result | 4,385 | 1,127 | 307 | 19 | 5,838 |
| Unallocated costs | | | | | (925) |
| Operating profit | | | | | <u>4,913</u> |
| Period ended 31 July 2013 | | | | | |
| Turnover | 23,551 | 13,897 | 5,377 | 486 | 43,311 |
| Less: inter-divisional sales | (878) | (1,421) | - | (347) | (2,646) |
| | <u>22,673</u> | <u>12,476</u> | <u>5,377</u> | <u>139</u> | <u>40,665</u> |
| Segment result | 4,113 | 1,115 | 364 | 45 | 5,637 |
| Unallocated costs | | | | | (791) |
| Operating profit | | | | | <u>4,846</u> |

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

