

# Simonds Farsons Cisk plc

# Preliminary Statement

# of Annual Results 2018

FOR THE YEAR ENDED 31 JANUARY 2018

## REVIEW OF BUSINESS

### TRADING PERFORMANCE

The Board of Directors is pleased to announce the Farsons Group's financial results for the year ended 31 January 2018.

The Group registered positive and robust growth across all sectors resulting in an increase of €1.63 million or 13.4% in its profit after taxation. Profit for the year ended amounted to €13.7 million, while pre-tax profit from continuing operations amounted to €13.4 million, an improvement of 18.2% over the same period last year. Return on turnover from continuing operations stood at 14.2% as compared to 12.9% in the comparative period.

Group turnover increased by €6.8 million to reach a record level of €94.9 million, a significant growth of 7.8% on the previous year. The operational ratio for the Group improved from 24.5% to 23.6% as a result of increased turnover and a comparative slower increase in overheads. The Group's overhead expenses increased by €814,000

during the year under review.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to €22 million, an increase of €1 million over last year. In September 2017 the Board of Directors exercised early redemption of the €15 million 6% bond issued in 2010 whilst at the same time the Company issued an unsecured bond of €20 million at an interest rate of 3.5% per annum. The Group's net borrowings increased by €3.9 million and were mainly employed in the payment of capital projects costs together with an additional cash injection in Trident Estates plc of €6.5 million prior to the spin-off. The gearing ratio as at year-end stood at 28.8% compared to 22.2% in 2017, reflecting the significant dividend 'in kind' distributed to the shareholders following the spin-off of Trident Estates plc. As a result of the significant total dividend pay-out to the shareholders (see below), total equity decreased from €123.2 million to €96.6 million.

shareholding in Trident Estates Limited was passed on to the shareholders pro rata to the number of shares held in the Company. Trident

Estates plc was listed on the Malta Stock Exchange on 30 January 2018.

### OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2019

The Group remains vigilant for the ever-changing local and overseas market conditions, and is committed to such further investments as are required in order to continue transforming challenges into tangible market opportunities. The positive national economic performance, which has enhanced the performance of the Group and is expected to persist, will continue to impact the Group's profitability and growth potentials.

The Group continues to build on its two growth pillars namely, innovation and internationalisation. Following the significant investments made by the Group, further tapping of export markets remains a priority. These markets present new and ongoing challenges which are being addressed on an ongoing basis.

Innovation also remains high on the Group's agenda and management will continue to prioritise the development of products which proactively meet, and exceed, ever evolving consumer expectations.

In line with its commitment to both environmental and social responsibilities, the Group has pledged to positively contribute to the objective of reducing sugar consumption by 10% by 2020 through:

- the reformulation of existing products,
- innovation and introduction of new products,

- increasing the availability of smaller pack sizes,
- investment in the promotion of drinks with reduced or no sugar.

The beverage and food importation segments of the Group are continuously engaged in enhancing the products offered to the market. In a highly competitive environment with intense pricing tactics, retaining an efficient and effective workforce to meet the market demands whilst maintaining a consistent growth in performance is the clear way forward.

The improved performance of Food Chain, despite additional operational expenses and increased refurbishment costs, is expected to be sustained. Ongoing challenges in recruitment together with an increasing number of competitive brands opening outlets locally, will possibly influence the full growth potential of this segment.

The aggressive competition experienced in the food and beverage market coupled with legislative changes expected in the Beverage Container Refund Scheme necessitates that the Group retains its competitive edge by focusing on product development, ensuring high levels of efficiency while also enhancing its export drive in order to further sustain the positive growth in profitability registered to date.

### INFLUENCING FACTORS AND SEGMENTAL PERFORMANCE

The Group registered improved performance in its turnover as well as profitability across all three operational segments.

The country's continued positive economic performance, the sustained growth of the tourism industry, the favourable weather conditions experienced during the larger part of 2017 together with major crowd events hosted during the year have all contributed positively to the performance of the beverage and food segments.

The various proactive investments made by Farsons over the past 10 years ensured that the Company was well equipped and resourced to respond to the ever-changing local and export market conditions. Efficiency gains resulting from investments made in the production lines, together with various management initiatives for improvement in productivity, further contributed to the results achieved by the Company during the financial year.

Demand across all beverage sectors grew during the year under review and the Company responded in a timely manner in order to serve

the market effectively and efficiently, despite growing competition within the local market.

The beverage importation company has maintained its positive trend in turnover and profitability. Targeted and effective marketing campaigns together with continuous enhancements to the product portfolio were important elements leading toward the growth registered within this segment.

The introduction of diverse products within the food importation company has strengthened its position in this highly competitive segment. The company has satisfactorily registered higher turnover together with improved profitability.

The franchised food business has also registered a significantly positive year, with growth in sales, guest count, guest spend and profitability over the previous year across all its three brands namely, Burger King, Pizza Hut and KFC. Investment to ensure continuing high standards across all stores is ongoing, with a significant refurbishing programme underway.

### INVESTMENTS

During 2017 the Group invested a further €13.5 million to complement the major plant investments carried out over the previous decade.

Following the completion of the beer packaging facility in 2016, further investment in the logistics facilities was undertaken to complement the improved productivity capacity acquired through the enhanced plant. New un/loading bays were completed and commissioned during 2017 to enhance the company's capabilities for export operations and better management of its logistics function. Furthermore, extensions to the warehouse capabilities together with the building of a new truck depot were completed

and commissioned soon after the end of the financial year.

The Group invested in a modern state-of-the-art beer and soft drinks keg plant and an 18.9 litre water-filling line. Both plants make use of modern robot handling technology to replace previous machinery on the line.

Moreover, a new larger and modernised office complex, offering a more effective and efficient working environment, was completed during the financial year. The Group's corporate office complex replaced all offices previously housed within the original Farsons building and became fully operative during the last quarter of the year.

### PROPERTY INTERESTS AND TRIDENT ESTATES

#### Spin-off

As a result of the successful spin-off of Trident Estates plc into a separate listed entity and the change in shareholding, the Group has disposed of its property management segment which had been classified as discontinued operations. During the Annual

General Meeting held on 27 June 2017, the shareholders approved a resolution to spin-off the Company's shareholding in Trident Estates plc through the payment of a dividend 'in kind' by way of a distribution of the company's shareholding in Trident to the shareholders. Through the distribution of a dividend 'in kind' of €37,211,000, the Company's entire

### DIVIDENDS AND RESERVES

During this financial year, the Board declared an interim dividend settled in cash as well as an interim dividend that was settled 'in kind'.

The cash interim dividend of €1,000,000 (net) was paid to the ordinary shareholders on 18 October 2017.

Furthermore, on 20 December 2017, the Board declared a net interim dividend of €37,211,000, which was settled 'in kind' through the transfer of shares held by the Company in Trident Estates plc to the shareholders.

The Board of Directors will recommend the payment of a final dividend of €2,600,000 (net) at the Annual General Meeting scheduled for 21 June 2018.

Both interim dividends were paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 22 June 2018 (also out of tax exempt profits) to those shareholders included on the Register of Members of the Company as at 22 May 2018. As a result, total declared dividends settled in cash relating to the financial year ended 31 January 2018 shall amount to €3,600,000 (2017: €3,400,000).

Retained profits carried forward at the reporting date amounted to €38,718,000 (2017: €55,830,000) for the Group and €41,347,000 (2017: €50,580,000) for the Company.

BY ORDER OF THE BOARD

16 May 2018

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. This statement is published pursuant to the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.
2. The financial information contained herein has been extracted from the Simonds Farsons Cisk plc Group's audited financial statements for the year ended 31 January 2018 as approved by the Board of Directors on 16 May 2018. The accounting policies used in the preparation of the financial statements for the year ended 31 January 2018 are consistent with those used in the annual financial statements for the year ended 31 January 2017.
3. The Group's operations consist of the brewing, production and sale of branded beers and beverages, the importation, wholesale and retail of food and beverages, including wines and spirits and the operation of franchised food retailing establishments. During 2018 the Group spun-off its property management segment.
4. Earnings per share at €0.46 (2017: €0.40) have been calculated by dividing the profit attributable to the equity shareholders by the weighted average number of ordinary shares in issue during the year and ranking for dividend.



FARSONS GROUP

# Farsons

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### CONDENSED STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
<b>ASSETS</b>				
Non-current assets	127,100	117,993	129,899	122,631
Current assets	36,428	33,682	27,454	26,674
Non-current assets classified as held for sale	-	31,266	-	9,057
<b>Total assets</b>	<b>163,528</b>	<b>182,941</b>	<b>157,353</b>	<b>158,362</b>
<b>EQUITY AND LIABILITIES</b>				
Capital and reserves attributable to owners of the company	96,632	123,271	95,989	105,012
Non-current liabilities	34,452	33,236	34,452	33,236
Current liabilities	32,444	24,297	26,912	20,109
Liabilities directly attributable to non-current assets held for sale	-	2,137	-	5
<b>Total liabilities</b>	<b>66,896</b>	<b>59,670</b>	<b>61,364</b>	<b>53,350</b>
<b>Total equity and liabilities</b>	<b>163,528</b>	<b>182,941</b>	<b>157,353</b>	<b>158,362</b>

### CONDENSED INCOME STATEMENTS

	Group		Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
<b>Continuing operations:</b>				
<b>Revenue</b>	<b>94,980</b>	<b>88,119</b>	<b>50,924</b>	<b>46,511</b>
Cost of sales	(57,920)	(53,683)	(24,802)	(22,352)
<b>Gross profit</b>	<b>37,060</b>	<b>34,436</b>	<b>26,122</b>	<b>24,159</b>
Selling and distribution costs	(10,332)	(10,712)	(7,628)	(7,668)
Administrative expenses	(12,066)	(10,872)	(7,514)	(6,288)
<b>Operating profit</b>	<b>14,662</b>	<b>12,852</b>	<b>10,980</b>	<b>10,203</b>
Finance income	-	5	139	189
Finance costs	(1,207)	(1,470)	(1,144)	(1,417)
<b>Profit before tax</b>	<b>13,455</b>	<b>11,387</b>	<b>9,975</b>	<b>8,975</b>
Tax income	949	471	2,000	1,196
<b>Profit for the year from continuing operations</b>	<b>14,404</b>	<b>11,858</b>	<b>11,975</b>	<b>10,171</b>
<b>Discontinued operations:</b>				
(Loss)/Profit for the year from discontinued operations	(642)	274	19,403	-
<b>Profit for the year</b>	<b>13,762</b>	<b>12,132</b>	<b>31,378</b>	<b>10,171</b>
<b>Earnings per share for the year attributable to shareholders</b>	<b>€0.459</b>	<b>€0.404</b>		

### CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Group		Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
<b>Profit for the year</b>	<b>13,762</b>	<b>12,132</b>	<b>31,378</b>	<b>10,171</b>
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation surplus, net of deferred tax	-	4,666	-	1,176
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Cash flow hedges net of deferred tax	210	214	210	214
<b>Other comprehensive income for the year</b>	<b>210</b>	<b>4,880</b>	<b>210</b>	<b>1,390</b>
<b>Total comprehensive income for the year</b>	<b>13,972</b>	<b>17,012</b>	<b>31,588</b>	<b>11,561</b>

### CONDENSED STATEMENTS OF CASH FLOWS

	Group		Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
Net cash generated from operating activities	20,893	13,135	17,185	13,922
Net cash used in investing activities	(21,407)	(19,714)	(19,481)	(18,685)
Net cash (used in)/generated from financing activities	(656)	4,091	(656)	4,091
<b>Net movement in cash and cash equivalents</b>	<b>(1,170)</b>	<b>(2,488)</b>	<b>(2,952)</b>	<b>(672)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(1,322)</b>	<b>1,166</b>	<b>(1,157)</b>	<b>(485)</b>
<b>Cash and cash equivalents at end of year</b>	<b>(2,492)</b>	<b>(1,322)</b>	<b>(4,109)</b>	<b>(1,157)</b>

### CONDENSED STATEMENTS OF CHANGES IN EQUITY

GROUP	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000
Balance at 1 February 2016	9,000	(919)	54,105	47,273	109,459
<b>Comprehensive income</b>					
Profit for the year	-	-	-	12,132	12,132
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	214	-	-	214
Revaluation of property, plant and equipment net of deferred tax	-	-	4,666	-	4,666
Net transfers of fair value movements on investment property, net of deferred tax	-	-	375	(375)	-
<b>Total comprehensive income</b>	<b>-</b>	<b>214</b>	<b>5,041</b>	<b>11,757</b>	<b>17,012</b>
<b>Transactions with owners</b>					
Dividends relating to 2016 and 2017	-	-	-	(3,200)	(3,200)
<b>Balance at 31 January 2017</b>	<b>9,000</b>	<b>(705)</b>	<b>59,146</b>	<b>55,830</b>	<b>123,271</b>
Balance at 1 February 2017	9,000	(705)	59,146	55,830	123,271
<b>Comprehensive income</b>					
Profit for the year	-	-	-	13,762	13,762
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	210	-	-	210
Transfer of reserve upon disposal of investment property, net of deferred tax	-	-	(9,737)	9,737	-
<b>Total comprehensive income</b>	<b>-</b>	<b>210</b>	<b>(9,737)</b>	<b>23,499</b>	<b>13,972</b>
<b>Transactions with owners</b>					
Dividends relating to 2017 and 2018	-	-	-	(3,400)	(3,400)
- Paid in cash	-	-	-	(3,400)	(3,400)
- Paid 'in kind'	-	-	-	(37,211)	(37,211)
<b>Balance at 31 January 2018</b>	<b>9,000</b>	<b>(495)</b>	<b>49,409</b>	<b>38,718</b>	<b>96,632</b>
<b>COMPANY</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Balance at 1 February 2016	9,000	(919)	44,961	43,609	96,651
<b>Comprehensive income</b>					
Profit for the year	-	-	-	10,171	10,171
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	214	-	-	214
Revaluation of property, plant and equipment, net of deferred tax	-	-	1,176	-	1,176
<b>Total comprehensive income</b>	<b>-</b>	<b>214</b>	<b>1,176</b>	<b>10,171</b>	<b>11,561</b>
<b>Transactions with owners</b>					
Dividends relating to 2016 and 2017	-	-	-	(3,200)	(3,200)
<b>Balance at 31 January 2017</b>	<b>9,000</b>	<b>(705)</b>	<b>46,137</b>	<b>50,580</b>	<b>105,012</b>
Balance at 1 February 2017	9,000	(705)	46,137	50,580	105,012
<b>Comprehensive income</b>					
Profit for the year	-	-	-	31,378	31,378
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	210	-	-	210
<b>Total comprehensive income</b>	<b>-</b>	<b>210</b>	<b>-</b>	<b>31,378</b>	<b>31,588</b>
<b>Transactions with owners</b>					
Dividends relating to 2017 and 2018	-	-	-	(3,400)	(3,400)
- Paid in cash	-	-	-	(3,400)	(3,400)
- Paid 'in kind'	-	-	-	(37,211)	(37,211)
<b>Balance at 31 January 2018</b>	<b>9,000</b>	<b>(495)</b>	<b>46,137</b>	<b>41,347</b>	<b>95,989</b>