

## FINANCIAL SERVICES

# Financial results review

In the second of a series of articles, **EDWARD RIZZO**, a director of Rizzo, Farrugia & Co. (Stockbrokers) Limited, one of Malta's leading private asset management companies, reviews the financial results issued by Farsons and Middlesea Insurance



ON APRIL 25, 2007, the board of directors of Simonds Farsons Cisk plc approved the financial statements for the 12 months ended January 31, 2007.

During the 12-month period to January 31, 2007, the Farsons Group registered a total turnover of Lm26.7 million, representing a two per cent increase from the previous year. Although no segmental information was provided detailing the breakdown of the group's revenue from the different areas of activity, the directors stated that the group experienced an increase in sales of beer and beverages following improved selling and marketing programmes as well as above-average temperatures during the year.

Cost of sales at Lm17 million were largely unchanged resulting in a gross profit of Lm9.7 million, 5.9 per cent above the gross profit in the comparative period. Selling

and distribution costs dropped by 5.3 per cent to Lm4.3 million while administrative expenses of Lm4.2 million represent a decline of 4.2 per cent from the previous year.

The increased turnover coupled with lower selling and distribution costs as well as administrative expenses helped the Farsons Group generate an operating profit of Lm1.3 million (2006: Lm0.3 million).

While in the comparative period to January 31, 2006 the group had recognised investment income of Lm0.525 million arising from the sale of a property, this was not repeated in the financial year to January 2007. Meanwhile, similarly to the previous year, fair value gains on investment property amounted to Lm0.37 million.

The group registered a profit before taxation of Lm0.97 million (2006: Lm0.49 million) and after deducting the tax expense of



Lm44,000 (2006: tax income of Lm0.27 million), the profit for the year amounted to Lm0.87 million, significantly higher than the level of Lm0.21 million in the year to January 31, 2006.

During the year the group recognised a loss from discontinued operations of Lm57,000 against a Lm0.54 million loss registered in the previous year which related to the disposal of the Galleria Complex.

After taking into consideration the losses from discontin-

ued operations, the group generated a profit during the 12 months ended January 31, 2007 of Lm0.87 million (2006: Lm0.37 million).

Total assets of the Farsons Group as at January 31, 2007 amounted to Lm39.9 million (2006: Lm35.1 million) with shareholders' funds of Lm16 million. The net asset value per share increased marginally to Lm0.62.

The board of directors have recommended the payment, out of tax exempt profits, of a final net dividend of

Lm425,000 (1c65278 per share) to those shareholders as at close of trading on May 25. Subject to its approval at the annual general meeting, the final dividend is expected to be paid on June 30.

Together with the interim dividend of Lm75,000 (0c29167 per share) declared last week, the total dividend in respect of the January 2007 financial year amounts to Lm500,000 (1c9444 per share), representing a 66 per cent increase over last year's dividend.

## Middlesea Insurance

Middlesea Insurance plc published its preliminary statement of results for the year ended December 31, 2006 following a board of directors' meeting held on April 26, 2007.

Total gross premiums written by the Middlesea Group during 2006 increased by 6.4 per cent to Lm36 million. The balance on the group's technical accounts dropped by 43 per cent to Lm2.6 million (2005: Lm4.5 million). On the other hand, the share of profits from the Group's investment in Middlesea Valletta Life Assurance Co. Ltd. increased by another 28.5 per cent to a record contribution of Lm1.5 million. Total business written by Middlesea Valletta Life Assurance Co. Ltd amounted to Lm50.4 million in 2006 as the demand for life insurance and investment-related products in Malta increased substantially.

Total income from insurance activities during 2006 amounted to Lm4.1 million, representing a 28.4 per cent decline from the record levels in the previous year.

However it is worth noting that income from insurance activities in 2006 is 18 per cent above that registered in 2004. Meanwhile, net invest-

ment income declined by 44 per cent to Lm2.4 million (2005: Lm4.4 million). While other investment income dropped by 37 per cent to Lm3.1 million, investment expenses and charges including fair value losses increased by 9.4 per cent to Lm0.7 million.

Other income generated by the group companies was generally unchanged at Lm0.6 million while administrative expenses rose by 13.6 per cent to Lm1.5 million.

The Middlesea Group registered a pre-tax profit of Lm3.7 million in 2006, 43.9 per cent below the record profitability in the previous year. The Group incurred a tax charge of Lm0.4 million representing a

marginal tax rate of only 11.9 per cent compared to 25.4 per cent in 2005. After accounting for a small profit attributable to minority interests, the group's profit for the year of Lm3.2 million represents a 34 per cent drop from the previous year with earnings per share of 12c7 compared to the 2005 earnings of 19c3 (adjusted to take account of the 2 for 1 share split in June 2006).

The directors have recommended the payment of a gross ordinary dividend of 4c5 per share to all shareholders on the company's register as at close of trading on May 23, 2007. Last year, Middlesea Insurance paid an ordinary dividend of 3c5 gross per share

as well as a special dividend of 1c5 per share which was distributed to commemorate the company's 25th anniversary resulting in a total gross dividend of 5c per share. Similar to previous years, this dividend is being paid out of an untaxed account and shareholders are subject to a 15 per cent final withholding tax upon distribution.

The group's balance sheet shows total assets of Lm118.2 million as at December 31, 2006, an increase of nine per cent from the previous year with shareholders' funds (including minority interests) of Lm35 million (2005: Lm31.9 million) giving a net asset value per share of Lm1.40. The group's total

gross technical reserves increased by a further eight per cent to Lm65.4 million.

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