

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 2016.

The Group recorded a profit of €11.2 million for the financial year ended 31 January 2016, equivalent to an increase of €3.2 million or 40% over the previous financial year. Pre-tax profit from continuing operations was €10.1 million, an improvement of 23% over the same period ended January 2015.

Group turnover reached €85 million, a growth of 7% over previous financial year. Operating

profit increased by €1.8 million to exceed €11.4 million whilst overheads were contained at 87% of the Group's turnover, representing an improvement of 1.3 percentage points on January 2015.

EBITDA amounted to €18.7 million, an increase of €1.5 million over last year, in line with the strong results for the financial year. The gearing ratio as at year end stood at 18% compared to 16% at end January 2015. The Group's statement of financial position remains very robust and shareholders' equity continued to improve and exceeded €109 million.

INFLUENCING FACTORS AND SEGMENTAL PERFORMANCE

A number of factors have influenced the performance of the Group in the year under review. As reported by the National Statistics Office, during 2015, the Maltese economy recorded a strong performance with a real GDP growth of 6.3 per cent, while private consumption grew by 5.1 per cent over the previous year.

The tourism industry in Malta once again broke all records and this, in turn, had a positive effect on the performance of our business segments, including the beverage market. The favourable weather conditions throughout the year were another factor that positively impacted the results through higher consumption levels from locally based consumers.

The brewing and bottling business continued to register growth in both turnover and profitability with our flagship brands, Cisk and Kinnie, posting solid performances and contributing significantly to the overall performance of the company. The results were also driven by a balanced execution of the Group's commercial agenda and productivity programmes.

The beverage importation arm has also registered a remarkably good performance with revenue growth registered across its diverse portfolio, partly as a result of a number of marketing and sales activities targeting different market segments, as well as the launch of new products. The Group's own retail outlet, Farsonsdirect, has also registered growth in sales, with the outlet attracting a growing number of both private clients and trade customers.

Targeted measures have been taken to address the relatively poor performance of the food importation arm. Although the company continued to face challenges during the year under review in the light of continued intense competition within the sector, positive and encouraging results are currently being registered. The impact is expected to be reported in the forthcoming financial year.

The franchised food business also registered an encouraging performance with growth in both turnover and profitability. The full year's performance of the Qormi Burger King drive-thru restaurant had a significant positive impact on the financial results of this division.

PROPERTY INTERESTS

Spin-off

The Board has continued to firm up on its intent to hive off a number of properties and eventually 'spin-off' part of the Group's property interests from the existing core business activities into a separate and distinct property-focused public limited liability company that will be listed on the Malta Stock Exchange. The results of this segment continue to be disclosed as a discontinued operation, while the related assets and liabilities are being classified as held for sale.

The Board will be presenting to the shareholders the formal request to approve the spin-off in the June 2017 Annual General Meeting and, if such approval is forthcoming, shall apply for listing on the Malta Stock Exchange by the end of that year.

Farsons Business Park

A further intensive effort has been made over the past year on the design of the Farsons Business Park development. When completed, the project is expected to result in an investment of €60 million by the Group and will contain 18,500 square metres of lettable office space, food and beverage facilities,

visitor attractions, a gym and a multi-level carpark with capacity for 700 vehicles. The professional fees on this project incurred to date are being accounted for under discontinued operations. Going forward, costs of a similar nature will be capitalized as part of the cost of the proposed development.

The project will commence with the old brewhouse development during 2017 with the project to be completed by 2020.

Changes to the capital gains tax rules

The effect of the changes to the taxation rules on capital gains as announced within the Government Budget Speech for fiscal year 2015 are being reflected in the results under review. The net impact of these changes on the deferred tax liability attributable to the fair valuation of Group properties amounts to a reduction in the required deferred tax provision. €1.78 million of the deferred tax reduction has been reflected in the consolidated income statement under discontinued operations. A further amount of €1.07 million relating to property, plant and equipment has been adjusted through equity.

INVESTMENTS

The new beer packaging facility project is reaching its final stages of completion. While the official inauguration of the investment in this facility is planned for September 2016, beer packaging in the new facility is already underway. It is envisaged that the benefits from this €27 million investment will start to be realized during the second half of 2016. Furthermore, it is believed that this major investment will enable the Group to implement a broader and more ambitious export strategy.

Moreover, construction works on the expansion of the logistics and warehousing operations, together with the extension

of an additional two floors on top of the administration offices, are currently ongoing. This is in line with the Group's objectives of meeting the future planned growth of the export business together with enabling the Farsons Business Park project to commence. These developments and related investments are expected to cost €10 million, and are scheduled to be completed by August 2017.

Two restaurants, including a KFC® drive-thru in Mosta, were officially opened in 2016. This business now incorporates 14 restaurants spread across three international franchises.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2017

Market conditions within the soft drinks market are not expected to substantially change in the short to medium term. The market continues to evolve towards increased focus on wider consumer health issues that, together with a faster-paced lifestyle, is causing constant shifts in consumer trends. Top-line growth in soft drinks remains under pressure and changes in consumer preferences offer challenges, but also opportunities, in equal measure that the Group is addressing accordingly.

In line with international trends, the craft beers segment is also achieving increasing market share. Within this market context, the Group

will continue to realign its product portfolio through innovation and further development of our own beer brands, particularly in view of the Group's export growth strategy. The new Beer Packaging investment will facilitate this development.

While competition remains fierce and growing, the Board believes that the Group is adequately positioned to offer the required resilience while being able to respond effectively and proactively to an evolving and increasingly complex market dynamics, both locally and overseas.

DIVIDENDS AND RESERVES

The Board declared a net interim dividend of €1,000,000, which was paid on 20 October 2015 to the ordinary shareholders, and will recommend the payment of a final dividend of €2,200,000 at the Annual General Meeting scheduled for 28 June 2016.

The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 30 June 2016 (also out of tax exempt profits) to those shareholders included on the

Register of Members of the Company as at 27 May 2016. As a result, total declared dividends relating to the financial year ended 31 January 2016 shall equate to €3,200,000 (2015: €3,000,000).

Retained profits carried forward at the reporting date amounted to €47,273,000 (2015: €38,864,000) for the Group and €43,609,000 (2015: €36,083,000) for the Company.

BY ORDER OF THE BOARD

12 May 2016

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

- This statement is published pursuant to the Malta Financial Services Authority Listing Rules Chapter 5 and Article 4(2)(b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.
- 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 2016, as approved by the Board of Directors on 12 May 2016. The accounting policies used in the preparation of the financial statements for the year ended 31 January 2016 are consistent with those used in the annual financial statements for the year ended 31 January 2015.
- 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. The property segment is being disclosed as discontinued operations. These operations are carried out, primarily, on the local market.
- Earnings per share at €0.37 (2015: €0.27) 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.

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FARSONS GROUP

Farsons

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets	97,608	83,973	96,193	83,946
Current assets	33,407	32,597	24,206	25,024
Non-current assets classified as held for sale	31,558	33,041	19,478	20,559
Total assets	162,573	149,611	139,877	129,529
EQUITY AND LIABILITIES				
Capital and reserves attributable to owners of the company	109,459	100,235	96,651	90,354
Non-current liabilities	26,128	25,184	26,128	25,184
Current liabilities	24,102	19,299	15,578	12,086
Liabilities directly attributable to non-current assets held for sale	2,884	4,893	1,520	1,905
Total liabilities	53,114	49,376	43,226	39,175
Total equity and liabilities	162,573	149,611	139,877	129,529

CONDENSED INCOME STATEMENTS

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Revenue	84,918	79,206	46,679	44,189
Cost of sales	(51,924)	(49,705)	(22,801)	(22,653)
Gross profit	32,994	29,501	23,878	21,536
Selling and distribution costs	(10,170)	(9,821)	(7,936)	(7,256)
Administrative expenses	(11,078)	(9,609)	(6,474)	(5,990)
Other operating expenses	(271)	(376)	-	-
Operating profit	11,475	9,695	9,468	8,290
Investment gains	14	12	133	123
Finance costs	(1,377)	(1,472)	(1,350)	(1,458)
Profit before tax	10,112	8,235	8,251	6,955
Tax income	869	5,222	1,513	5,665
Profit for the year from continuing operations	10,981	13,457	9,764	12,620
Discontinued operations:				
Profit/(loss) for the year from discontinued operations	242	(5,448)	(797)	(7,040)
Profit for the year	11,223	8,009	8,967	5,580
Earnings per share for the year attributable to shareholders	€0.374	€0.267		

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Profit for the year	11,223	8,009	8,967	5,580
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Movement in deferred tax due to change in tax rates on immovable property	1,070	-	399	-
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedges net of deferred tax	(69)	(548)	(69)	(548)
Other comprehensive income for the year	1,001	(548)	330	(548)
Total comprehensive income for the year	12,224	7,461	9,297	5,032

CONDENSED STATEMENTS OF CASH FLOWS

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Net cash generated from operating activities	16,453	15,644	14,174	12,443
Net cash used in investing activities	(18,022)	(6,979)	(15,809)	(5,948)
Net cash used in financing activities	(1,713)	(4,251)	(1,713)	(4,251)
Net movement in cash and cash equivalents	(3,282)	4,414	(3,348)	2,244
Cash and cash equivalents at beginning of year	4,448	34	2,863	619
Cash and cash equivalents at end of year	1,166	4,448	(485)	2,863

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000
GROUP					
Balance at 1 February 2014	9,000	(302)	58,421	28,155	95,274
Comprehensive income					
Profit for the year	-	-	-	8,009	8,009
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	(548)	-	-	(548)
Net transfers of fair value movements on investment property, net of deferred tax	-	-	(5,200)	5,200	-
Total comprehensive income	-	(548)	(5,200)	13,209	7,461
Transactions with owners					
Dividends relating to 2014 and 2015	-	-	-	(2,500)	(2,500)
Balance at 31 January 2015	9,000	(850)	53,221	38,864	100,235
Balance at 1 February 2015	9,000	(850)	53,221	38,864	100,235
Comprehensive income					
Profit for the year	-	-	-	11,223	11,223
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	(69)	-	-	(69)
Movement in deferred tax due to changes in tax rates on immovable property	-	-	2,847	(1,777)	1,070
Net transfers of fair value movements on investment property, net of deferred tax	-	-	(1,963)	1,963	-
Total comprehensive income	-	(69)	884	11,409	12,224
Transactions with owners					
Dividends relating to 2015 and 2016	-	-	-	(3,000)	(3,000)
Balance at 31 January 2016	9,000	(919)	54,105	47,273	109,459
COMPANY					
Balance at 1 February 2014	9,000	(302)	53,161	25,963	87,822
Comprehensive income					
Profit for the year	-	-	-	5,580	5,580
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	(548)	-	-	(548)
Net transfers of fair value movements on investment property, net of deferred tax	-	-	(7,040)	7,040	-
Total comprehensive income	-	(548)	(7,040)	12,620	5,032
Transactions with owners					
Dividends relating to 2014 and 2015	-	-	-	(2,500)	(2,500)
Balance at 31 January 2015	9,000	(850)	46,121	36,083	90,354
Balance at 1 February 2015	9,000	(850)	46,121	36,083	90,354
Comprehensive income					
Profit for the year	-	-	-	8,967	8,967
Other comprehensive income:					
Cash flow hedges net of deferred tax	-	(69)	-	-	(69)
Movement in deferred tax due to changes in tax rates on immovable property	-	-	803	(404)	399
Net transfers of fair value movements on investment property, net of deferred tax	-	-	(1,963)	1,963	-
Total comprehensive income	-	(69)	(1,160)	10,526	9,297
Transactions with owners					
Dividends relating to 2015 and 2016	-	-	-	(3,000)	(3,000)
Balance at 31 January 2016	9,000	(919)	44,961	43,609	96,651