Simonds Farsons Cisk plc
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COMPANY ANNOUNCEMENT

The following is a Company Announcement by Simonds Farsons Cisk plc pursuant to the Malta Financial Services Authority Listing Rules Chapter 5.

Quote

The Board of Directors of Simonds Farsons Cisk plc (the "Company") has on Thursday 4th May 2017 met and approved for publication the financial statements of the Company for the year ended 31st January 2017, and resolved to propose the same for the approval of the shareholders at the forthcoming Annual General Meeting of the Company to be held on 27th June 2017.

A Preliminary Statement of Annual Results for the year ended 31st January 2017 is attached herewith and is available to the public on website www.farsons.com.

The Board of Directors of Simonds Farsons Cisk plc has resolved to recommend for the approval of the Annual General Meeting the distribution, out of tax exempt profits, of a final net dividend of €2,400,000 that is € 0.08 per ordinary share of €0.30, to be paid on 28th June 2017.

An interim net dividend of €1,000,000 that is €0.0333 per ordinary share was approved at the Board Meeting held on 28th September 2016 and distributed to shareholders on 19th October 2016. Therefore, the total net dividend to the ordinary shareholders relating to the financial year ended 31st January 2017 amounts to €3,400,000 that is € 0.1133 per ordinary share.

The Board of Directors has established 28th May 2017 as the Effective Date on which all shareholders, then on the register of members, shall be entitled to receive notice of and attend the Annual General Meeting, be paid dividends declared by the General Meeting and appoint directors or vote at the election of Directors.

Unquote

Antoinette Caruana
Company Secretary

4th May 2017

Simonds Farsons Cisk plc

Preliminary Statement of Annual Results 2017

FOR THE YEAR ENDED 31 JANUARY 2017

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 2017.

The Group posted a record profit of €12 million for the financial year ending 31 January 2017, registering an increase of €0.9 million or 8% over the previous financial year. Pre-tax profit from continuing operations amounted to €11 million, representing 13% of turnover and an improvement of 13% over the same period last year.

Group turnover also reached record levels at €88 million, a growth of 2% on the previous year. Operational overheads remained largely flat and the resulting operating profit amounted to €13 million, equivalent to 15% of turnover.

The strong performance for the financial year also impacted positively the earnings before interest, tax, depreciation and amortization (EBITDA) that amounted to €21 million, an increase of €2.5 million over last year. The Group's borrowings increased by €9 million, mainly as a result of the significant investment in the new beer packaging facility. The gearing ratio as at year-end stood at 22% compared to 18% in 2016, while total equity increased to €123 million from €109 million, as a result of retained profits and certain property revaluations.

INFLUENCING FACTORS AND SEGMENTAL PERFORMANCE

Several factors have characterized the performance of the Group for the year under review. From a macro economic and general point of view, the overall positive economic performance and record tourist arrivals along with favourable weather conditions have been important contributing factors.

The strong performance was registered across the Group on varying levels. Throughout the year, management has continued to drive forward and implement diverse measures aimed at further improving productivity and overall efficiency along with higher quality standards.

On the production side, the beer segment continued to register positive results notwithstanding the increased depreciation following the commissioning of the new beer packaging facility. On the other hand, the continued spotlight on obesity and sugar consumption, coupled with the introduction of an Excise Duty, dampened the consumption of soft drinks. The intensive competition on water has impacted volumes in this category.

The beverage importation arm has also registered a positive performance across much of its diverse product categories, partly as a result of various marketing and sales activities targeting different market segments, as well as the launch of new products.

Notwithstanding the increased competition and a more challenging market, the food importation arm posted an encouraging performance for the year under review and has registered a growth in turnover and contribution.

The franchised food business has registered a significantly positive year, with increases in sales, guest count and profitability over the previous year across its three brands namely, Burger King, Pizza Hut and KFC. The full year performance of the new Burger King restaurant together with the first KFC drive-thru restaurant in Mosta were instrumental in attaining this positive performance.

INVESTMENTS

The principal highlight of the year was, undoubtedly, the commissioning of the new beer packaging facility. The facility was inaugurated on 7 September 2016 and was completed on schedule and within budget. The company is now geared to pursue its growth ambitions and is clearly better equipped to market its brands in new and innovative packaging, thereby able to compete in new and untapped export markets.

With the Group's major investments now accomplished, further works on extending warehousing facilities are currently underway with new loading/unloading bays planned to be installed by July 2017.

During the last quarter of 2017, the present kegging facilities will be replaced with a new and modern plant in order to improve the overall efficiency of our kegging operations. Moreover, a new office complex is currently being completed, allowing for a more contemporary and effective working environment in line with established international standards for such premises.

PROPERTY INTERESTS AND TRIDENT ESTATES

Spin-off

At the forthcoming Annual General Meeting to be held on 27 June 2017, a resolution to approve the spin-off of the Company's shareholding in Trident Estates Limited shall be put forward for consideration and approval. The said spin-off is to be effected through the payment of a dividend in kind by way of a distribution of the Company's shareholding in Trident to the shareholders. During the AGM, shareholders' approval shall be sought to authorize the Board of Directors to take all necessary measures to implement the said spin-off. If such approval is forthcoming, Trident Estates Limited intends to file an application with the Listing Authority for admission to listing of its shares on the Malta Stock Exchange (MSE). A circular explaining the details of the proposed spin-off shall be distributed to all shareholders. The financial implications of the spin-off, including the effect on the Group's operating results and the effect on the Company's financial position shall also be explained in detail within this document.

Trident Park

Development plans for Trident Park have been submitted to the Planning Authority and a decision is being expected in the near future. The relevant planning permission for the rehabilitation and development of the old brewhouse was received in January 2017.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2018

New and ongoing market trends, such as more consumption at home, continue to persist and this, in turn, presents the Group with several challenges but also new market opportunities, with the growing popularity of speciality beers being a clear example in which Farsons is well positioned to respond.

In line with the ongoing investments within its operations, the Company shall continue to implement its internationalisation strategy. Within this vision, the Company is renewing its prime focus on the Italian market, while also appointing well-established importers and distributors in other targeted international markets.

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

In line with its commitment to both environmental and social responsibilities, the Group has pledged to firmly 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 Company faces a year with minimal organic growth with challenging trends in consumption. Hence the continued focus on innovation, with the first full year of speciality beers, remains imperative for the Company's success. Furthermore, with a leading position in a market with limited local growth potential, the Company remains determined to focus on its exports strategy, that can now be executed following the commissioning of the new beer packaging facility.

The beverage importation arm continues to face a highly competitive environment with intensive pricing policies being encountered. The Company is confident that the results shall remain steady as management continues to focus in growing its portfolio of brands.

In the case of the food importation business, management continues to focus on business development, in particular by launching new brands and range extensions.

The Food Chain business will face increased lease costs on a number of its outlets. This, coupled with the opening of new competing brands on the local market is expected to continue to put pressure on its results. Management still feels confident that despite this, there will not be a deterioration in its performance.

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, both locally and overseas.

DIVIDENDS AND RESERVES

The Board declared a net interim dividend of €1,000,000, which was paid to the ordinary shareholders on 19 October 2016, and will recommend the payment of a final dividend of €2,400,000 at the Annual General Meeting scheduled for 27 June 2017.

The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 28 June 2017 (also out of tax exempt profits) to those shareholders included on the Register of Members of the Company as at 28 May 2017. As a result, total declared dividends relating to the financial year ended 31 January 2017 shall amount to €3,400,000 (2016: €3,200,000).

Retained profits carried forward at the reporting date amounted to €55,830,000 (2016: €47,273,000) for the Group and €50,580,000 (2016: €43,609,000) for the Company.

BY ORDER OF THE BOARD
4 May 2017

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 2017, as approved by the Board of Directors on 4 May 2017. The accounting policies used in the preparation of the financial statements for the year ended 31 January 2017 are consistent with those used in the annual financial statements for the year ended 31 January 2016.

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. The property segment is being disclosed as discontinued operations. These operations are carried out, primarily, on the local market.

4. Earnings per share at €0.40 (2016: €0.37) 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	
	2017	2016	**2017**	2016
ASSETS	**€'000**	€'000	**€'000**	€'000
Non-current assets	**117,993**	97,608	**122,631**	96,193
Current assets	**33,682**	33,407	**26,674**	24,206
Non-current assets classified as held for sale	**31,266**	31,558	**9,057**	19,478
Total assets	**182,941**	162,573	**158,362**	139,877
EQUITY AND LIABILITIES				
Capital and reserves attributable to owners of the company	**123,271**	109,459	**105,012**	96,651
Non-current liabilities	**33,236**	26,074	**33,236**	26,074
Current liabilities	**24,297**	24,156	**20,109**	15,632
Liabilities directly attributable to non-current assets held for sale	**2,137**	2,884	**5**	1,520
Total liabilities	**59,670**	53,114	**53,350**	43,226
Total equity and liabilities	**182,941**	162,573	**158,362**	139,877

CONDENSED INCOME STATEMENTS

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Continuing Operations:				
Revenue	**88,119**	86,033	**46,511**	46,679
Cost of sales	**(53,683)**	(53,039)	**(22,352)**	(22,801)
Gross profit	**34,436**	32,994	**24,159**	23,878
Selling and distribution costs	**(10,712)**	(10,170)	**(7,668)**	(7,936)
Administrative expenses	**(10,851)**	(11,078)	**(6,288)**	(6,474)
Other operating expenses	**(21)**	(271)	**–**	–
Operating profit	**12,852**	11,475	**10,203**	9,468
Finance income	**5**	14	**189**	133
Finance costs	**(1,470)**	(1,377)	**(1,417)**	(1,350)
Profit before tax	**11,387**	10,112	**8,975**	8,251
Tax income	**471**	869	**1,196**	1,513
Profit for the year from continuing operations	**11,858**	10,981	**10,171**	9,764
Discontinued operations:				
Profit/(loss) for the year from discontinued operations	**274**	242	**–**	(797)
Profit for the year	**12,132**	11,223	**10,171**	8,967
Earnings per share for the year attributable to shareholders	**€0.404**	€0.374		

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Profit for the year	**12,132**	11,223	**10,171**	8,967
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
Revaluation surplus, net of deferred tax	**4,666**	–	**1,176**	–
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedges net of deferred tax	**214**	(69)	**214**	(69)
Other comprehensive income for the year	**4,880**	1,001	**1,390**	330
Total comprehensive income for the year	**17,012**	12,224	**11,561**	9,297

CONDENSED STATEMENTS OF CASH FLOWS

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Net cash generated from operating activities	**13,135**	16,453	**13,922**	14,174
Net cash used in investing activities	**(19,714)**	(18,022)	**(18,685)**	(15,809)
Net cash used in financing activities	**4,091**	(1,713)	**4,091**	(1,713)
Net movement in cash and cash equivalents	**(2,488)**	(3,282)	**(672)**	(3,348)
Cash and cash equivalents at beginning of year	**1,166**	4,448	**(485)**	2,863
Cash and cash equivalents at end of year	**(1,322)**	1,166	**(1,157)**	(485)

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
GROUP	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
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**
Balance at 1 February 2016	9,000	(919)	54,105	47,273	109,459
Comprehensive income					
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)	–
Total comprehensive income	–	214	5,041	11,757	17,012
Transactions with owners					
Dividends relating to 2016 and 2017	–	–	–	(3,200)	(3,200)
Balance at 31 January 2017	**9,000**	**(705)**	**59,146**	**55,830**	**123,271**
COMPANY	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
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**
Balance at 1 February 2016	9,000	(919)	44,961	43,609	96,651
Comprehensive income					
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
Total comprehensive income	–	214	1,176	10,171	11,561
Transactions with owners					
Dividends relating to 2016 and 2017	–	–	–	(3,200)	(3,200)
Balance at 31 January 2017	**9,000**	**(705)**	**46,137**	**50,580**	**105,012**