FARSONS GROUP

Farsons

Simonds Farsons Cisk Plc

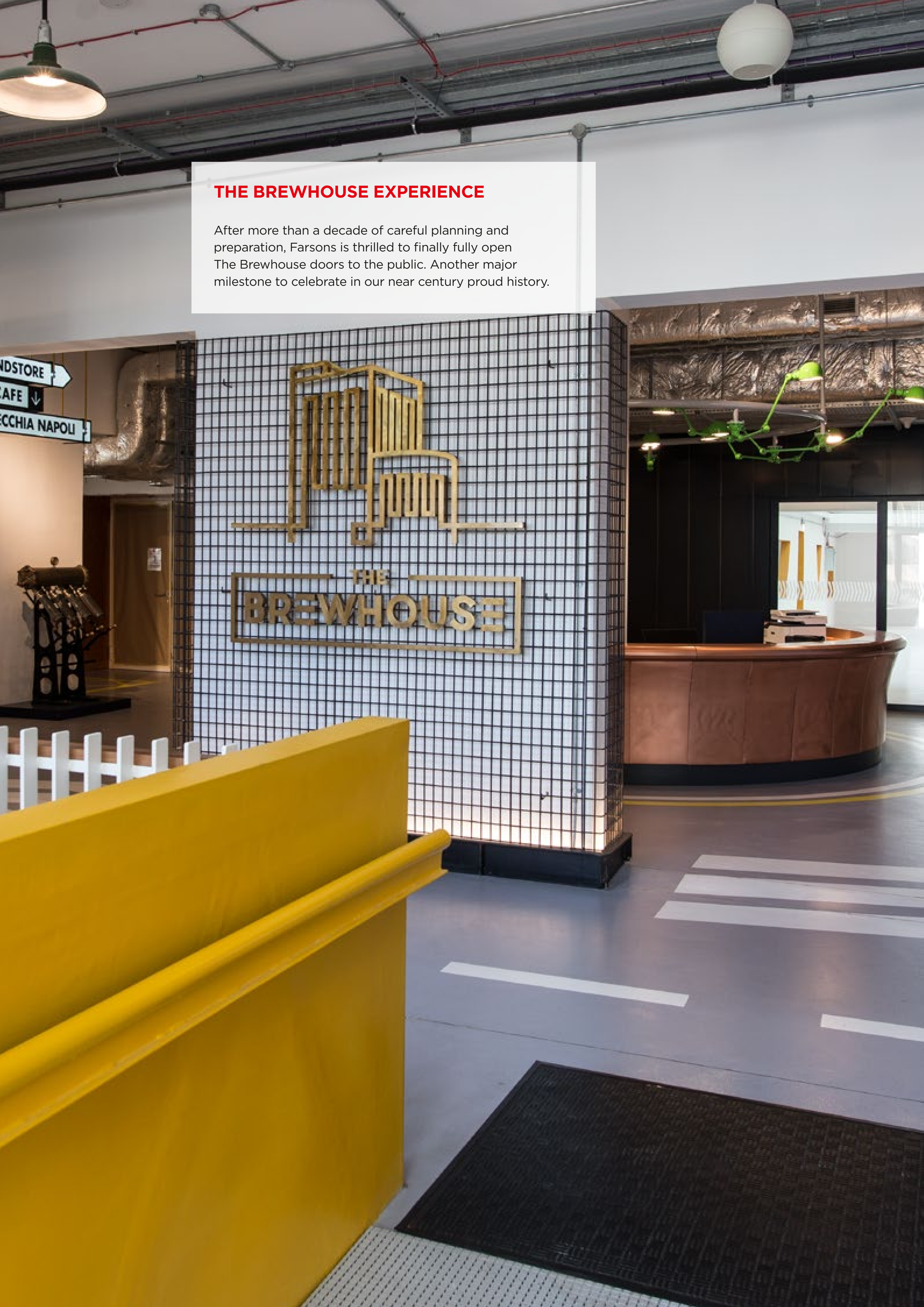
Annual Report

2022/23

For the year ended
31 January 2023

THE BREWHOUSE EXPERIENCE

After more than a decade of careful planning and preparation, Farsons is thrilled to finally fully open The Brewhouse doors to the public. Another major milestone to celebrate in our near century proud history.



FARSONS GROUP
Farsons

SIMONDS FARSONS CISK PLC

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Annual Report for the year ended 31 January 2023

Readers are reminded that the official statutory Annual Financial Report 2022/23, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on the Malta Stock Exchange portal https://www.borzamalta.com.mt/ and on the Company's website https://www.farsons.com/en/financial-statements.

A copy of the Independent auditor's report issued on the official statutory Annual Financial Report 2022/23, is included within this document and comprises the auditor's report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.

CHAIRMAN'S STATEMENT

I am delighted that after three years of virtual meetings I will once again be able to address you in person at the 76th Annual General Meeting of the Company which will be held on 15 June at the Trident Park Conference Hall. For over two years from March 2020 all our lives were severely impacted by the spread of COVID-19 across the globe. No country or region was spared the consequences of the pandemic, and certainly Malta and the Farsons Group were no exception to this rule.

The tourism and the leisure sectors, both so important to the Farsons Group, were heavily impacted, with the local hospitality trade being shut down for extended periods of time through the various phases of the periodic COVID-19 related restrictions. As reported last year, the take home market segment held up well, and with the support of Government led wage supplement scheme we were able to navigate through the most difficult periods between March 2020 and the early part of 2022. In fact, as a result of the above and the rapid mitigating measures that had been implemented by management and the Board, your Group returned to reasonable levels of profitability during the financial year ended 31 January 2023, even though the on-premises market sector had still not fully recovered. And you will recollect that in 2022 we were once again able to pay dividends (albeit with some delay).

As the business came through the more severe consequences of the pandemic, the Russia-Ukraine war broke out in February 2022, adding a whole new dimension to the challenges being faced by the Group. The combination of the after-effects of COVID-19 and those of the Russia-Ukraine war were to result in a severe dislocation of international supply chains – and the emergence of rampant inflationary pressures. For the Farsons Group this meant both difficulties in sourcing key raw materials and other products as well as significantly higher prices. Inevitably, the higher cost of living pressures experienced globally were transmitted over time into increased costs in the labour market, where (in Malta) severe shortages of skills and supply were of themselves pushing up salary and wage demands.

The better news is that during much of the financial year to 31 January 2023 (FY 2023) the impact of COVID-19 was much diminished – and we saw a gradual but strong recovery across both the tourist and leisure sectors. From the early summer of 2022, it seemed that it was increasingly a case of efforts to return to "business as usual" insofar as the bar, restaurant and hotel sectors were concerned – sectors that have long been a Farsons strength in the Malta market.

Photo by Joe Smith

As a result of this recovery, I am pleased to report that during FY 2023 Group Turnover reached a record €118.2 million, an increase of 28.8% from last year's figure of €91.8 million. Group Profit before Taxation also reached a record €15.3 million, up from €12.2 million in FY 2022. Group Turnover improved across all the business units. We can report strong performances from both the core beer and beverage production segment as well as that of the importation of foods and beverages. Our quick service restaurants increased in numbers and in turnover, however profitability decreased due to the number of startups coming on stream during the year and structural changes that are taking place in that sector. Food Chain now operates from 20 outlets under four different franchises, and I believe that there exists potential for further growth.

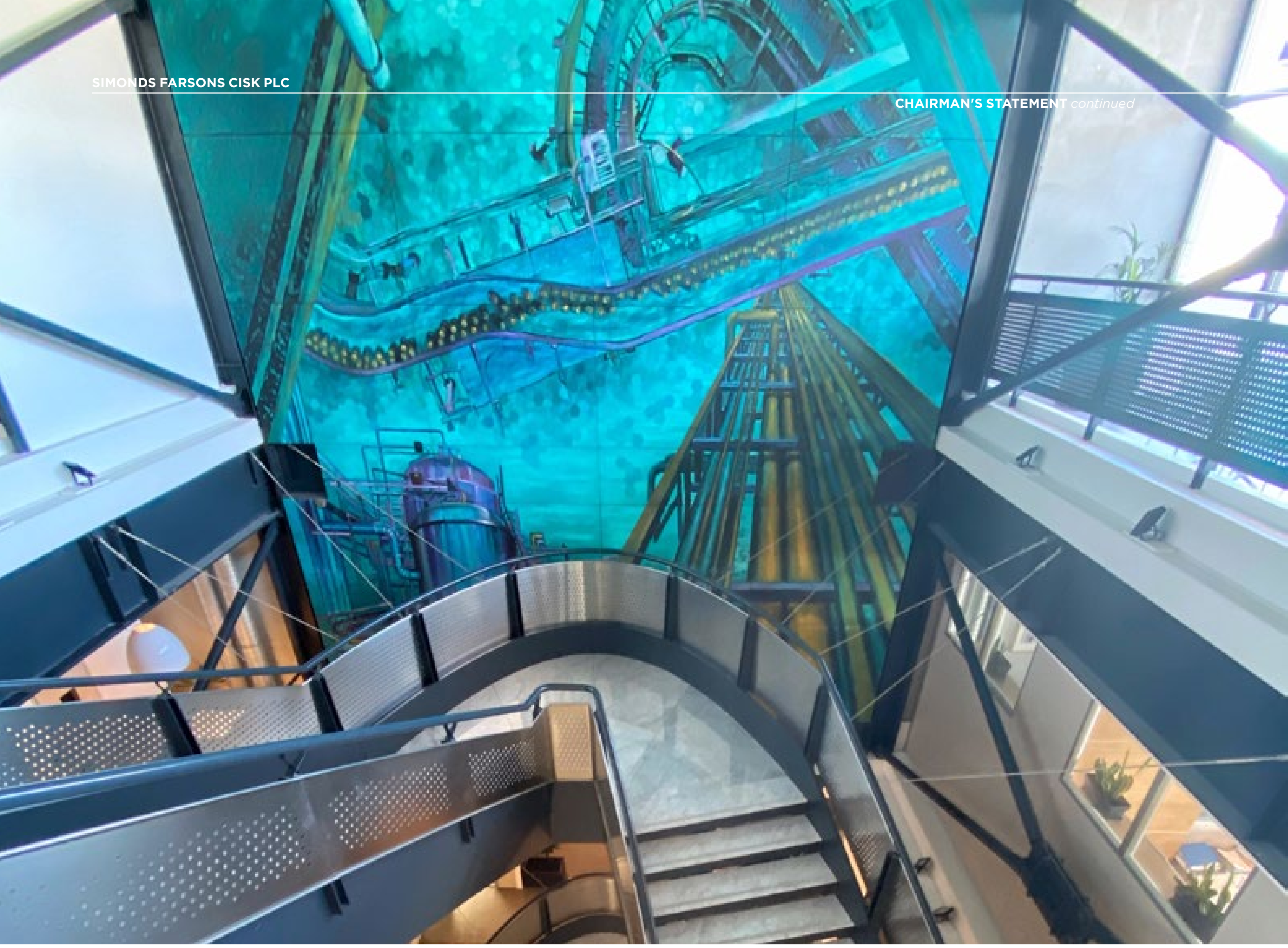
In (calendar) 2022 despite the turbulence caused by macroeconomic and the geo-political events described above, Malta's economy performed well, registering an increase in Gross Domestic Product of 6.9%, boosted by much improved tourist arrivals and strong local consumption. In response to the significant increase in the prices of energy products in global markets, Government has supported industry, business concerns as well as households through freezing the price of fuel, gas, and electricity rates for all customers at 2019 prices. This subsidisation has come at high cost to the Exchequer but has helped the economy stabilise and recover in the vulnerable post-pandemic period. This policy has also helped to contain the local rate of inflation below the EU average but does beg the question as to how long Government can maintain this level of subsidy. Some relief will be obtained from the moderating oil and gas prices seen recently in global markets.

During this period under review, we have faced double-digit cost increases in our raw materials, products and services. We have in turn had to respond through adjusting certain of our prices as have all international and local suppliers

"I believe the conversion of the iconic old Brewery building into a living and reinvented space bearing fruit for all stakeholders, is a fine example of how we can sustain development in an environmentally responsible manner."

of food and beverages. In part this explains the increase in our Group Turnover, but we have also been able to increase volumes and market share in certain beverage and food categories. Our price increases, reflecting increasing costs, were carefully studied to ensure we retain fair pricing to our customers whilst retaining our competitiveness. This I hasten to add is the result of high-quality products, sound market strategies and good teamwork.

Over the past 5 years management and the Board have been very engaged with *The Brewhouse* project. In my previous Chairman's statements, I highlighted the substantial investment that we have made in this project which comprises the redevelopment of a non-productive space into that of a revenue earning entertainment and hospitality facility. The various outlets include The Farsons Brewery Experience and Brandstore, The Cisk Tap, The Chapels Gastrobrewpub (serving a range of craft beers), and Kettles Cafe, as well as office spaces – all of which are now open for business.



All these revenue-earning activities have been incorporated under an umbrella operations company, *The Brewhouse Company Ltd*, which has been formed with its own management structure and Board of Directors which I chair. This is effectively a start-up operation and business will ramp up over time. As with all start-ups, it is not expected to be immediately profitable but as Trident Park (the adjacent Business Park developed by Trident Estates plc) increases its occupancy levels over time and establishes itself as a landmark location for business meetings, the prospects for *The Brewhouse Company Ltd* will be much improved. Clearly, as this happens, it will result in a significant transformation of a large and otherwise redundant area occupying much space with no return at all, into another profitable business activity and the resultant increase in value. I do hope that many of you will have the chance to visit these outlets and see the high standard of development and offerings for yourselves.

I believe the conversion of the iconic old Brewery building into a living and reinvented space, bearing fruit for all stakeholders, is a fine example of how we can sustain development in an environmentally responsible manner. In his report the Group Chief Executive highlights the importance the Group is justifiably giving to environment-related projects. Such initiatives include the investments we have made in solar panels, our active participation in the BCRS bottle recycling scheme, the reduction of sugar in several beverages, the conservation of water, and the reduction in carbon emissions as a result of investments made in our delivery vehicles and transportation. Details of these initiatives are highlighted elsewhere in this annual report.

The Farsons Group is committed to playing its part in "doing the right thing" and contributing to those measures needed to address the very serious global warming concerns. Once again, details of related measures and initiatives can be found elsewhere in this report under the heading 'Statement by the Directors on non-financial information'.

Those of you who have been long-standing shareholders (and there are many) will have witnessed the dramatic changes the Group has undertaken over the last 20 years or so. It has been transformed into a diverse and modern operation producing and selling high quality beverage and food products which meet with the expectations and the approval of a high percentage of Malta's consumers - as well as a small but growing number of international customers.

This growth in our businesses has required massive capital investment over many years in land and buildings, plant and equipment, together with investment in the high-level professional skills, competences and training required to manage sophisticated and technologically advanced plant and equipment. Over a number of years the entire manufacturing, bottling and logistics facilities have been replaced, including the (old) Brewhouse, bottling and canning lines and logistics centre, and we are fortunate to have in place a highly dedicated professional management team with the requisite skills and experience. I believe that your Board of Directors and our management team have delivered these important changes and set a strategy for the future with the resultant growth in profitability and enhanced shareholder value.

Furthermore, as a result of the investment in the new facilities, in 2018 we were able to spin-off the former Farsons property portfolio into a separate listed entity – Trident Estates plc. Trident Estates has now successfully completed its first major development at Trident Park alongside our own Brewhouse complex. I believe that these two investments will prove to be most rewarding in the medium to long-term. Our long-term shareholders have benefitted from the growth in the total market capitalisation of the two listed entities, and I believe that there exist encouraging prospects for the future.

Staying ahead in business necessarily involves preparing for the future, and this will require ongoing change and investment. Projects under active Board consideration include the construction of a state-of-the-art automated returnable packages logistics facility within the Mriehel production area, and a new warehouse and logistics centre for our food business. Your Board believes that there exists potential for growth in this area and a strategic review of our food business and the sector in general is currently under way. This review will include inter alia consideration of the benefits and other advantages that may accrue from structuring an expanding food operation in a separate listed entity.

I also wish to highlight in this report that the Board Remuneration Committee has been proactive in addressing several succession issues at senior management level. This is of course necessarily an ongoing process and I wish to assure you all that this continues to receive the attention of the Board.

On 31 January 2023 we announced that Antoinette Caruana retired as Company Secretary after 12 years in the post. Antoinette has served the Board with the utmost dedication and loyalty at an important and dynamic time. She also served simultaneously as the Group Human Resources Manager for 14 years. During her tenure she brought in new HR practices to the Group which proved to be important and effective at a time of high mobility in the general labour market. We wish her a happy and peaceful retirement and thank her wholeheartedly for the substantial contribution she has made to the Group's wellbeing over her many years of service.

On 1 February 2023 we announced that Nadine Magro was appointed as Company Secretary and Compliance Officer, and on 4 April 2023 we announced that Joseph Camilleri was appointed as Head of HR. These are both important senior positions and we are indeed fortunate to have found these two most suitable candidates to fill these roles.

"The Farsons Group is committed to playing its part in "doing the right thing" and contributing to those measures needed to address the very serious global warming concerns."

In the meantime, on 1 September 2022, we announced that Michael Farrugia was appointed as Deputy to the CEO for the beverage side of the business. Michael has been with the Group for 17 years and has largely been responsible for exports, operations and The Brewhouse development. He is also a director on the main board. Michael reports to the Group CEO.

It is my pleasure, given these improved results to inform you that the Board will be proposing a final dividend of €3.96 million (equivalent to €0.11 per share) to the Shareholders for approval at the forthcoming Annual General Meeting. Together with the interim dividend of €1.62 million (€0.045 per share) this will make for total dividends in respect of FY 2023 of €5.58 million or €0.155 per share.

I do not need to emphasise that our continued good performance cannot be taken for granted. We cannot ever afford to become complacent as we live in difficult and challenging times. The fallout from COVID-19 and the Russia-Ukraine war have tested the agility and resilience of our dedicated management team to the full – and as can be seen from the results, they have acquitted themselves with distinction. I am certain that they will bring the same agility and determination to those new challenges that inevitably await us in the future. I would like to take this opportunity to sincerely thank the Group management team headed by Norman Aquilina, the Group CEO, for the impressive results achieved. Norman has now been CEO for 13 years and has played a vital role in the transformation of the Group.

I am also most grateful to my fellow Directors who have always shown their commitment to the tasks and issues that the Company has had to face.

And finally a word of thanks to our legal advisors and auditors, Messrs Mamo TCV and PwC respectively.

Louis A. Farrugia
Chairman
18 May 2023

From left: Ms Marina Hogg, Dr Max Ganado, Mr Marcantonio Stagno d'Alcontres, Mr Louis A. Farrugia, Baroness Justine Pergola, Ms Antoinette Caruana, Mr Michael Farrugia, Mr Roderick Chalmers, Ms Nadine Magro, Marquis Marcus John Scicluna Marshall

BOARD OF DIRECTORS

Mr Louis A. Farrugia – *Chairman*
Mr Marcantonio Stagno d'Alcontres – *Vice Chairman*
Mr Roderick Chalmers
Mr Michael Farrugia
Dr Max Ganado
Ms Marina Hogg
Marquis Marcus John Scicluna Marshall
Baroness Justine Pergola
Ms Antoinette Caruana – *Company Secretary until 31 January 2023*
Ms Nadine Magro – *Company Secretary from 01 February 2023*

BOARD COMMITTEES

CORPORATE GOVERNANCE COMMITTEE

Mr Roderick Chalmers - *Chairman*
Mr Michael Farrugia
Dr Max Ganado
Ms Marina Hogg

RELATED PARTY TRANSACTIONS COMMITTEE

Dr Max Ganado - *Chairman*
Ms Marina Hogg
Baroness Justine Pergola
from 30 March 2022
Mr Marcantonio Stagno d'Alcontres

AUDIT AND RISK COMMITTEE

Mr Roderick Chalmers - *Chairman*
Ms Marina Hogg
Marquis M. Scicluna Marshall

REMUNERATION COMMITTEE

Mr Marcantonio Stagno d'Alcontres - *Chairman*
Mr Roderick Chalmers
Marquis M. Scicluna Marshall

ESG COMMITTEE

Mr Michael Farrugia - *Chairman*
Mr Chris Borg Cardona
Ms Antoinette Caruana
Mr Eugenio Caruana
Mr Philip Farrugia
Dr Max Ganado
Ms Nadine Magro
Ms Maria Portelli
Mr Etienne Spiteri
Ms Anne Marie Tabone
Ms Rachel Zammit Soler

THE FARSONS FOUNDATION

BOARD OF ADMINISTRATORS

Mr Louis A. Farrugia - *Acting Chairman*
Ms Antoinette Caruana
Mr Michael Farrugia
Mr Franco Masini
Mr Mark Miceli-Farrugia
Mr Arthur Muscat
Mr Mario Spiteri - *Secretary*

SENIOR MANAGEMENT

From left: Mr Sean Portelli, Mr Pierre Stafrace, Mr Gordon Naudi, Mr Chris Borg Cardona, Ms Antoinette Caruana, Ms Anne Marie Tabone, Mr Eugenio Caruana, Mr Norman Aquilina, Ms Susan Weenink Camilleri, Mr Philip Farrugia, Mr Michael Farrugia, Mr John Bonello Ghio, Mr Joseph Camilleri

Mr Norman Aquilina
- Group Chief Executive

Mr John Bonello Ghio
- Head of Corporate Projects since 12 September 2022
- Head of The Brewhouse since 1 January 2023

Mr Chris Borg Cardona
- Head of Logistics & EcoPure Limited

Ms Antoinette Caruana
- Group HR Manager up to 2 March 2023

Mr Eugenio Caruana
- Chief Operating Officer

Mr Michael Farrugia
- Deputy Chief Executive (Beverage Business)

Mr Philip Farrugia
- Head of IT and Business Services

Mr Pierre Stafrace
- General Manager FBIC

Ms Anne Marie Tabone
- Group Chief Financial Officer

Ms Susan Weenink Camilleri
- Head of Sales & Marketing

Mr Sean Portelli
- General Manager Quintano Food Limited

Mr Gordon Naudi
- General Manager Food Chain Limited

Mr Joseph Camilleri
- Head of HR since 4 April 2023

GROUP CHIEF EXECUTIVE'S REVIEW

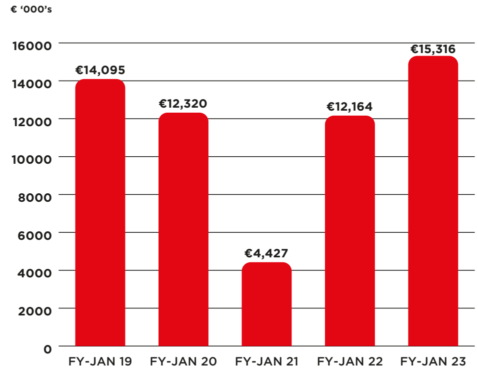
A SOLID PERFORMANCE AMID CONTINUED VOLATILITY

2022 was certainly another challenging year for many businesses and consumers, marked not only by the pandemic-related restrictions – albeit for just the initial months of the year as well as the continued supply chain disruption – but also by the war in Ukraine and surging inflationary conditions, coupled with rising cost of living pressures. This took place within an increasingly tight labour market. All this contributed towards an already volatile macro-economic environment. It is within this context that our Group has had to operate in, and these results need to be interpreted in the light of these conditions.

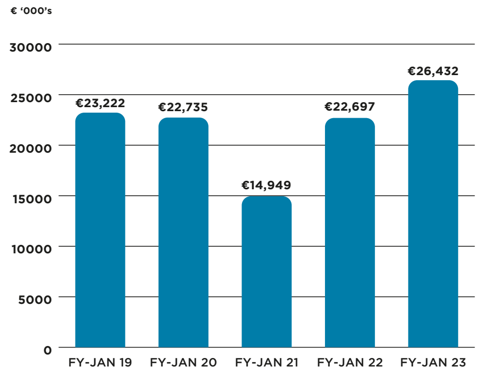
Despite having had to navigate through another turbulent year, we delivered on our financial projections, registering a strong set of results. We demonstrated resilience and commitment by responding with a number of defensive and proactive measures, resulting in solid growth, with all companies within the Group contributing to this solid performance.

This was predominantly achieved as a result of added focus on execution, better balancing out our scale with agility, and a step-up in both productivity and reach to market, along with ongoing investments in our brands. Encompassing all this, we adopted a proactive approach to pricing, apart from the continued and disciplined implementation of cost efficiency and more rigorous procurement so as to mitigate prevailing inflationary pressures. We also allocated our resources with greater focus and prioritisation.

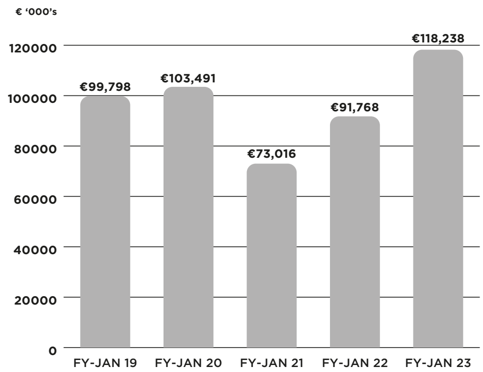
GROUP PROFITABILITY BEFORE TAX



GROUP EBITDA



GROUP TURNOVER



We registered significant progress and a solid delivery with a Group turnover of €118.2 million, reflecting an increase of 28.8% when compared to the previous year and 14.2% higher than our previously held record turnover of €103.5 million, which was attained in FY 2020, just before the onset of the COVID-19 pandemic. This marked increase in turnover was significantly assisted by our continued efforts on retaining a competitive and sustain-able level of growth, whilst more firmly embedding this into our productivity levels.

The operational profit margin was achieved as a result of continuous scrutiny of cost containment measures and drive to revisit the ways of working across the Group. Even if, as expected, the soaring inflation rate impacted the operational profit margins which did not grow at the same rate as revenue albeit an overall respectable margin of 14.1%.

KEY GROUP PERFORMANCE HIGHLIGHTS

ACTUAL VS LAST YEAR VS FIVE YEAR COMPARATIVES

	FY Jan 2023 €'000	Movement vs FY Jan 2022	Movement vs FY Jan 2019
Turnover	€ 118,238	29%	18%
Operating Profit	€ 16,683	24%	9%
Pre-tax Profit	€ 15,316	26%	9%
Post-tax Profit	€ 15,472	24%	2%
EBITDA	€ 26,432	16%	14%
Earnings per Ordinary share	€ 0.430	24%	2%
Return on Average Capital Employed	11.4%	1.7pp	0.3pp
Gearing	14.4%	1.9pp	-9.0pp

"Despite having had to navigate through another turbulent year, we delivered on our financial projections, registering a strong set of results"

The Group's portfolio in the food and beverage industry has permitted us to reach a respectable growth of 25.9% in the pre-tax profit from the previous year. This growth is a result of increased returns on the beverages portfolio together with the food importation activity which was partially offset with the lower returns on the food franchise business. The results of the food franchise business were particularly challenged with the ever growing presence of aggregators, which come at a significant cost to a segment where margins are already tight, together with the start-up of 6 new restaurants during the year. Likewise, considering the level of investment and recurring costs associated with the newly set-up Brewhouse which only became fully operational recently.

The balancing of the results from the different segments allowed the Group to register a profit before tax of €15.3 million, exceeding the previous record registered in FY 2019 by 8.7%.

OUR PEOPLE, OUR BACKBONE

Two collective agreements negotiated with the GWU covering a four-year period, one with SFC plc and another with FBIC Ltd, and which were due to be renewed on the 1 January 2023 were brought forward on the Company's initiative to 1 September 2022. Another four-year agree-ment for non-industrial employees at SFC plc was similarly concluded with UHM – Voice of the Workers. This decision enabled a significant percentage of the Group's workforce to enjoy improved conditions in advance. Earlier in the year, collective agreements had also been agreed to for Quintano Foods Ltd and Farsons Distributions Services Ltd. The collective agreement for EcoPure Ltd is due at the end of 2023, although revisions were also carried out during 2022.

During the past year, there has been increased focus on preparations for the introduction of the Human Resource Information System (HRIS), which is aimed at enhancing decision making related to our teams as well as providing more analysis and timely information. This is part of our drive to make HR more automated and digital, whilst investing in our Group's talent and balancing business requirements with employee expectations.

It is planned that the implementation of the HRIS, which is also being integrated with our payroll and time management system, Shireburn's Indigo, will be achieved by Q2 2023. Processes related to recruitment, onboarding, employee data, learning, performance management, succession management and compensation will be automated, resulting in more efficient, effective and improved employee experience.

Our people are the backbone of the Farsons Group and their wellbeing is critical to their performance and that of the Group. To sustain this tenet, the Group has sustained its commitment in developing leadership for a future workforce through various leadership programmes and coaching initiatives. A significant number of training programmes, including technical, operational, customer-related and soft-skill training were held both online and face-to-face during these twelve months.

Last year, our employee engagement workshops, attended by well over 500 employees, were again held online and enabled our teams to understand better the developments that took place over the year. More importantly it helped our employees to be more aware and engaged in our ambitious plans for the forthcoming financial year and beyond.

Our annual recognition programmes including our Cause for Applause programme, our Suggestion Scheme awards, Long Service and Retirement Awards, are thankfully all back in person. Recognising the performance and commitment of our employees is not only good practice, but essential for the continued motivation and engagement of our teams.

Furthermore, health and safety management continues to be upheld as a key business objective and the Group remains committed to continue enhancing its strong occupational H&S culture by driving agreed initiatives, involving many more key internal stakeholders and ensuring risk assessments are carried out and maintained. During the year, there were 27% less injuries compared to the previous year, with the number of cases having almost halved within the past four years.

We believe that investing in our workforce, which is increasingly diverse and intergenerational, means also investing in the Group's future. We recognise the richness of diversity and seek to promote inclusivity in all that we do. Today, our workforce reflects the diverse communities that make up our islands.

ENVIRONMENTAL RESPONSIBILITIES

Recognising our environmental responsibilities, we continued to make significant progress on a number of fronts, ranging from waste management, water usage, renewable energy, emissions reduction, amongst others. Indeed, this also extends into much broader areas encompassed within our ESG responsibilities. Nonetheless, there remains much more to be done as we step up our efforts and initiatives within this area. (Refer to the Statement by the Directors on non-financial information within this annual report for the relevant details.)

DRIVING OPERATIONAL EFFICIENCY

In our ongoing efforts to ensure we retain the most efficient operational set up, we have maintained our level of investments mainly aimed at introducing new forms of beverage containers. These included the launch of the new 25cl AXL bespoke returnable glass bottle for the full range of PepsiCo soft drinks and conversion of the 0.5L PET PepsiCo bottles from carolina to AXL and ripple bottle profiles. We also upgraded the ventilation system in the PET bottling hall, thereby improving the workplace environment.

The newly commissioned Caspary microbrewery within The Brewhouse

However, one notable investment of strategic importance was the commissioning of a microbrewery. Entering the craft beer market has long been a strategic goal. The launch of the microbrewery, which we are proudly naming the Red Mill Brewing Co. to pay homage to the original 1950's mill which has been kept in place and lovingly restored as part of The Brewhouse project, will provide us with the necessary resources to do this.

The installation and commissioning of the entire plant was successfully completed in July 2022 with the assistance of a Caspary brew master.

All our operations continue to be governed by our quality and food safety programme which is audited against three standards. This is done through the services of our accredited certification body, British Standards International (BSI) and the support of AIB International, which undertake inspections on behalf of PepsiCo. The two standards, BRCGS and AIB, relate to the Company's food safety management systems whilst the other standard, ISO 9001:2015, relates to the Company's overall quality management system.

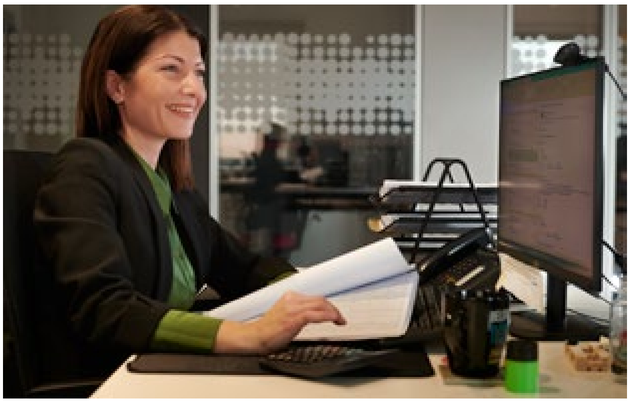
bsi ISO 9001 Quality Management Systems CERTIFIED

BRCGS Food Safety CERTIFICATED

Quality audits remain a priority as we promote a broader food safety culture.

We are proud to note that all three audits were once again successfully completed, leading to continued certification for the BRCGS and ISO 9001:2015 standards.

"Of strategic importance was the commissioning of a microbrewery. Entering the craft beer market has long been a strategic goal"



Our Logistics Center continues to play a critical role in our reach to market

DELIVERING AND MEASURING UP OUR LOGISTICS

With the welcomed, but sudden surge in demand due to the lifting of the pandemic restrictions just before summer, our logistics was under significant pressure. Nonetheless, our logistics team delivered by measuring up to the challenge.

In view of the continued supply chain disruption, stockholding increased significantly to counter the delay in supplies resulting in pressures on our warehouse capacity. The warehouse extension completed six years ago has met the increased storage requirements.

However, due to the prevailing supply uncertainties and the increase in our product portfolio, we are actively looking to extend the current warehouse capacity in order to meet future increase demand for storage.

The recruitment drive for logistics personnel continued, notably from abroad given the current local labour shortage. With 63% of the delivery workforce made up of foreign nationals, these workers are essential for the distribution function and, although challenging for them to work in a different country, specific training has been provided to facilitate their work, performance and to help them integrate well within the Company.

To further reduce our carbon footprint, towards the end of the year, over 2,000 square metres of solar panels on top of the logistics canopy have been installed and the power generated by these panels offset 52% of the electricity consumption of the Logistics Centre.

One ought to highlight that following the positive experience from the pilot project test conducted together with the Foundation for Transport and other local partners to evaluate the performance of a small electric commercial vehicle, we will be considering purchasing electric trucks for our operations.

LEVERAGING MORE TECHNOLOGY

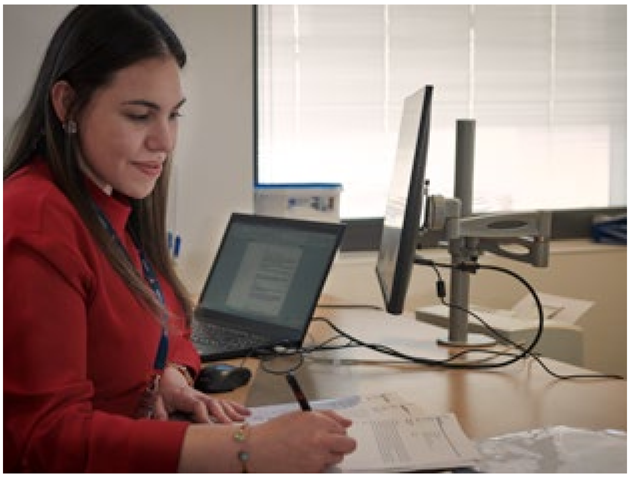
The IT function continued working on our systems, along with the related infrastructure leading to more effective and increased value-added business processes, using state-of-the-art technology aligned with industry best practices across all business units.

In this area, we continued implementing flexible smart-working practices, while also incorporating online and paperless workflows that are fully integrated with the corporate IT systems, and within a secure cyber environment.

Given the launch of the Beverage Container Refund Scheme (BCRS), the IT function ensured that all statutory and related system amendments, including POS systems, invoicing, along with analytics modules and business intelligence among others, were successfully implemented within all the relevant business units, Food Chain restaurants and Farsonsdirect. This was done ahead of the commencement date in order to continue supporting effective real-time commercial and other decision-making processes.

Work continued on extracting further value from the Enterprise Resource Planning (ERP) software, as per our established IT programme, while further analysis was conducted together with the logistics functions to fine tune the Warehouse Management System (WMS) to make it aligned with new and more effective ways of working.

Within all business units, we continued working on the implementation of a refreshed Customer Relationship Management (CRM) platform to further streamline processes and improve customer relationships, among other objectives. Within this context, further processes are also underway for the introduction of refined e-commerce solutions supported by the same platform.



The IT function continued investing in the critical Group cybersecurity infrastructure within the wider IT ecosystem, in partnership with various industry technical and other cyber specialists. In addition, the network and technical infrastructure upgrade programme continued to be implemented successfully.

We remained actively involved in providing IT related services regarding various aspects and micro-projects within The Brewhouse and Farsonsdirect, while also fully supporting Food Chain on-site with their IT requirements in terms of the opening of new outlets as well as the restaurants' refurbishment programme.

MARKET OVERVIEW

During the COVID-19 years, the market benefitted from the shift of consumption from the outdoors/on trade to our homes, resulting in a surge in retail sales. As the 'since COVID-19' era continues to play out, certain trends – which became more amplified during the past couple of years – have continued to gain traction and become more relevant in defining consumer choices and preferences.

Although still relevant in size, the growth in online purchases of groceries as seen during the COVID-19 years seems to have plateaued, as consumers began to feel safer outdoors once the pandemic became more contained.

The reopening of the hospitality segment following two years of COVID-19-impacted restrictions saw the welcome return of consumers to our bars and clubs. Although not yet quite at 2019 levels, the recovery of the tourism industry was key to this, as were the many village feasts and other outdoor events and activities which had been noticeably absent in the preceding two years.

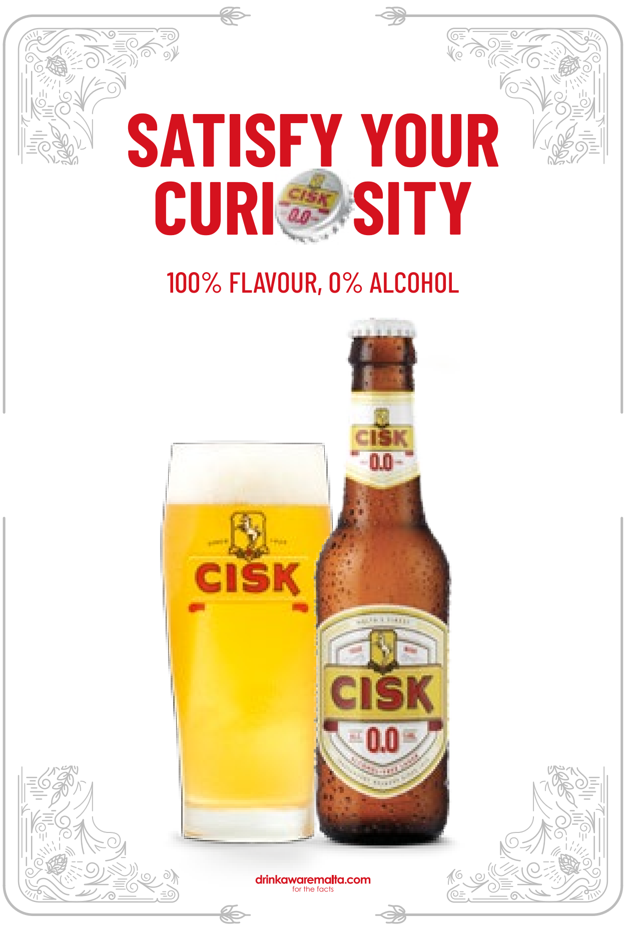
FARSONS GROUP
Farsons
BREWERS & BOTTLERS

BEER PORTFOLIO

It was reassuring to see our beer brands recover lost volumes and once again approach pre-COVID-19 levels.

Our beer portfolio continues to be strongly led by our flag-ship brand – **Cisk Lager**. On the re-opening of the market, Cisk re-established itself as the brand of choice amongst both locals and foreigners. Clearly recognisable and known for its vibrant yellow and red brand colours, the Cisk family boasts a product and package line-up which caters for every consumption occasion and consumer preference.

The mother brand, Cisk Lager, leads the pack, closely rivalled by the ever-popular low-carbohydrate variant – **Cisk Excel**. Launched in 2007, Cisk Excel remains the fastest growing brand on the local market, sought after by a broad spectrum of beer consumers and favoured by many for its light and refreshing taste and delivering the satisfaction of a full-on lager with only half the carbohydrates.



Cisk 0.0 – the alcohol free Cisk variant launched just a year ago, quickly took the leadership position in terms of the emerging low/no alcohol beer segment. Available in 33cl can and the distinctive 25cl bottle, Cisk 0.0 is now widely available both in the on trade and retail markets. The flavoured range of **Cisk Chill** continues to be available during summer, offering consumers a flavourful and thirst-quenching drinking experience.

> "It was reassuring to see our beer brands recover lost volumes and once again approach pre-COVID-19 levels."

Our national communication campaign for the Cisk portfolio throughout 2022 was carefully designed around the much-anticipated easing-off of COVID-19 measures, particularly those related to the hospitality sector and entertainment in general. Displaying bold and cutting-edge product imagery and carrying the tagline – '*Get Together*' – the campaign celebrated the very essence of friends and families reuniting in person after months of limited contact and marking the occasion with a pint of their favourite beer in hand. The campaign featured the full Cisk portfolio, in particular Cisk Lager and Cisk Excel, but also Cisk Chill where the tagline was modified slightly, in this case inviting people to '*Chill Together*'.

CISK. THE *Classic* MEDITERRANEAN BREW

Our flagship, award-winning lager, faithfully brewed to the original recipe since 1929 and brimming with Mediterranean charm, has recently revealed a new contemporary visual identity, together with a refreshed brand strategy and a multi-channel communications plan.

Today, brands play a huge role in people's lives and Cisk is ready to change. We've updated the brand in the past, but it's time to make a bigger, bolder change that brings us up to date.

The refreshed Cisk Brand Identity has been developed through a detailed process of strategy and creative thinking. By combining fresh thinking with fixed brand elements, the new Brand Identity perfectly communicates what Cisk is and what the brand means to its many loyal consumers.

From the bright, warm colours of our palette to the new Stallion, proudly rearing-up above the word mark and the simple, direct elegance of our key messages.

New packaging designs will reinforce our heritage and long-standing credentials, new assets will enhance our presence in-store and integrated communications - from outdoor advertising to social media - will invite consumers to rediscover Malta's finest.

Welcome to a new bold and iconic Cisk identity, ready to take on the 21st Century.

CISK. STAY FRESH.

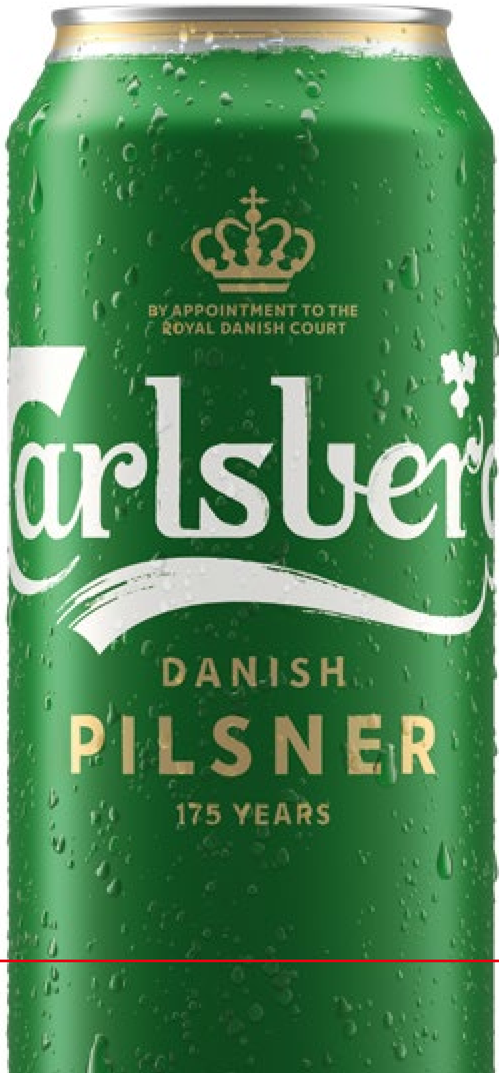
Budweiser - The official beer of the FIFA World Cup

A separate national campaign for Cisk 0.0 alcohol-free lager was launched towards the end of the year. Now established as the Cisk '*You can drink at any time*', the overarching objective for this year's campaign was to encourage beer consumers to '*Satisfy Your Curiosity'* by trialling Cisk 0.0 to experience how close the non-alcoholic version is to the main brand and that there is no compromise on taste or other social moments.

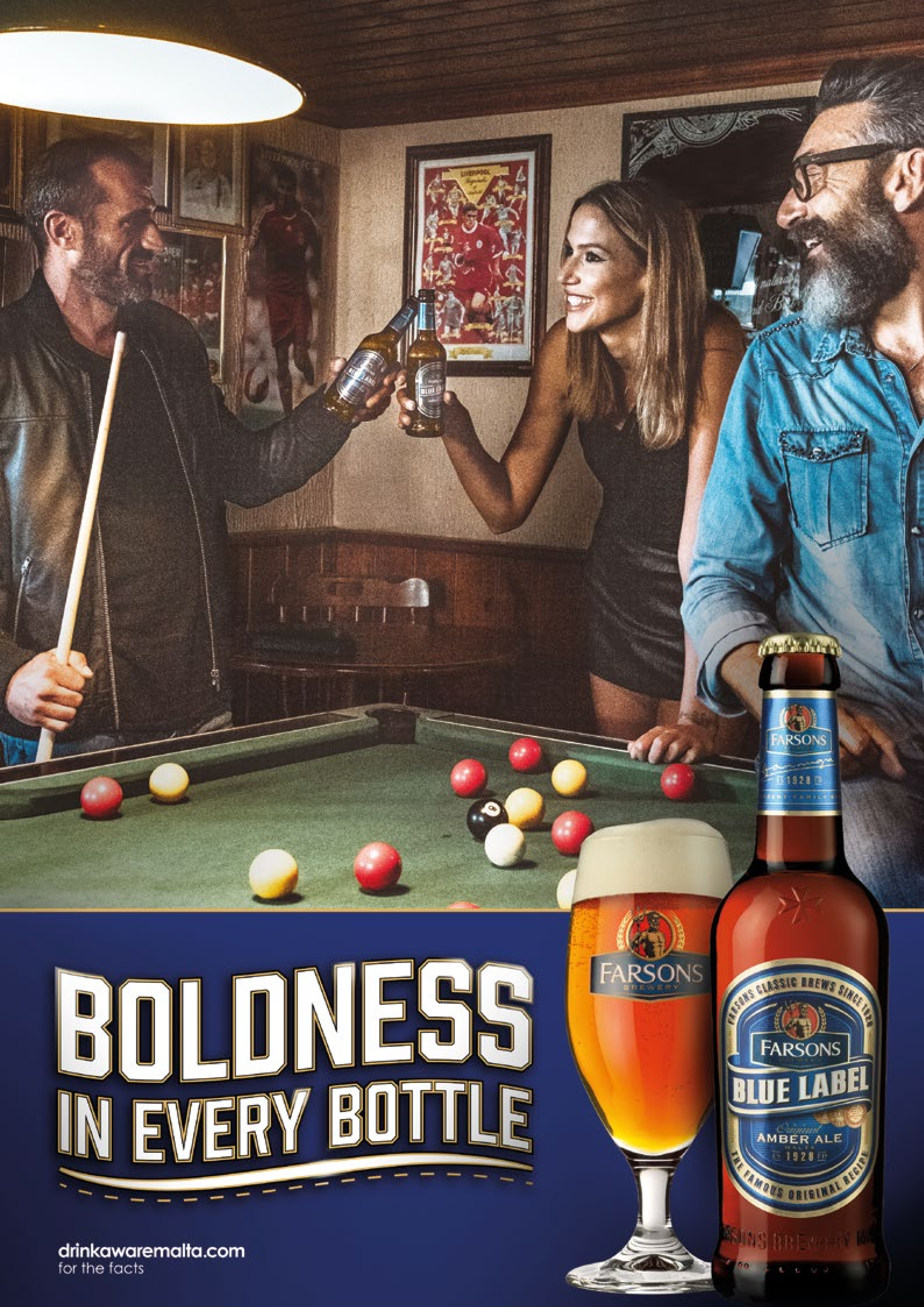
Farsons Classic Brews, comprising of the ever-popular **Blue Label** – one of the very first beer brands to be launched on the local market way back in 1928 – and the more recent additions of **Double Red** and **Green Hop IPA**, continue to make inroads in the growing '*speciality beers'* segment. This small, but expanding, niche market requires a different marketing approach – one that is more directly targeted at the discerning craft and speciality beer drinker.

Carlsberg, brewed and packaged by Farsons since 1978, celebrated its 175th anniversary in 2022 with a global campaign and limited-edition packaging which was also implemented locally. **Skol** maintained its leading position within the value category.

Another global brand in Farsons' beer portfolio – **Budweiser** was the 'Official Beer' of the 2022 edition of the FIFA World Cup held in Qatar between November and December. This presented an opportunity to promote the brand during a period when market demand is on the low. However, the event did not attract the same level of interest as previous editions which are normally organised in the peak summer period.



Carlsberg – Commemorating 175 years of Carlsberg



BOLDNESS
IN EVERY BOTTLE
FARSONS
BREWERY
FARSONS CLASSIC BREWS SINCE 1928
FARSONS
BLUE LABEL
Original
AMBER ALE
MALTA
1928
THE FAMOUS ORIGINAL RECIPE
drinkawaremalta.com
for the facts

NON-ALCOHOLIC BEVERAGES PORTFOLIO

The year under review was a busy one and positive for all our soft drinks brands with carefully planned promotions and activations, aimed at delivering both value and affordability. As a result, we have continued to win in store by focusing on brand visibility.

Kinnie, 'The Mediterranean Classic Since 1952' and our flagship soft drink brand, turned 70 in 2022. Specially commissioned illustrations underpinned a nation-wide campaign which was consistently applied to all the brand's major touchpoints including limited-edition packaging, truck and car livery, TV, cinema, outdoor and online advertising. The campaign was launched in April 2022 and carried on right through the peak summer months, culminating in a Kinnie-themed reception held in the lovely environs of the amphitheatre at The Brewhouse.

Following the successful collaboration with the global phenomena X Factor, Kinnie was a major sponsor of the second edition of the equally successful Malta's Got Talent. This gave another opportunity for the brand to continue to manifest its support towards local talent in a very tangible manner, whilst at the same time enjoying high levels of visibility at peak viewing times on local TV station and during the live shows held in the final stages of this ever-popular show.

Kinnie enjoying high levels of visibility as sponsor of Malta's Got Talent.

Kinnie 70th Anniversary celebrations


YOUR
SUMMER
STORY
CLASSIC
THE MEDITERRANEAN CLASSIC
Since 1952
Since 1952
Kinnie®

Now in its second year, **Kinnie Spritz** has been confirmed as a seasonal beverage owing to its high refreshing appeal and thirst-quenching characteristics, perfect for Malta's hot and balmy summer evenings.

Pepsi-Cola, **7-Up** and **Mirinda**, including the sugar-free variants **Pepsi Max** and **7-Up Free**, continued to make significant inroads in the market. Sporting a striking new bespoke bottle shape and backed by consistent marketing campaigns and promotional programmes, all brands registered notable increases during the year under review, with the sugar-free variants outperforming the more established full-sugar brands in keeping with overall consumer preferences.

Another successful edition of the Pepsi Taste Challenge ran throughout the summer months. It is with satisfaction that we share that over 64% of the over 6,000 participants chose Pepsi or Pepsi Max as their preferred cola, based on a blind taste test.

All key brands and products in our non-alcoholic portfolio posted a very strong set of results during the year under review, with high double digit increases also registered on **Lipton**, **Gatorade** and **Britvic**.

Equally positive was the performance in our high-volume water portfolio, whereas our own brands, **San Michel** table water and **Elan** sparkling water, continued to gain significant market share across all market channels, notwithstanding the very fierce price-based competition from a growing number of imported brands apart from other local brands.

The new Pepsi Max bespoke bottle shape


MAXIMUM
TASTE
ZERO
SUGAR
MAXIMUM TASTE
ZERO SUGAR
pepsi
MAX

Mr. Michael Farrugia, Deputy Chief Executive together with the visiting Indian delegation led by Dr. J.K. Tandon, Chairman, A & Z Group

INTERNATIONALISATION

Two years on from a COVID-19 stricken global economy, 2022 has been another year of exceptional challenges. Nonetheless, exports successfully maintained its positive sales and volume momentum. With a growing presence in more than 20 markets, most did show a positive level of resilience with approximately half of the Company's exports heading to Europe and the other half directed towards Middle East, Asia and Africa.

Interesting new leads within the non-alcoholic segment were pursued in 2022, most tangibly by way of a soft marketing launch of Cisk 0.0 in central and northern India.

Official launch of Cisk 0.0 in Delhi presided by H.E. Reuben Gauci, Malta High Commissioner to India

The expectation is that 2023 will see a wider roll out of the product on the market, which will allow the Company to better gauge the product's potential.

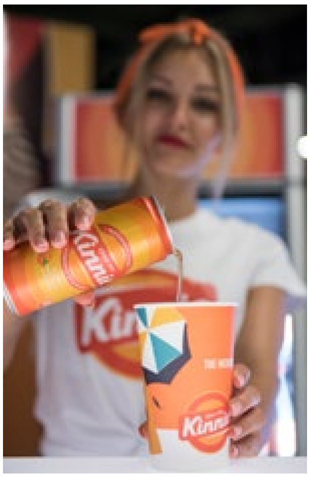
The Middle East, particularly the Arabian Gulf remained a key driver behind the Company's export growth throughout the year. Meanwhile, exports were also registered in various non-traditional markets such as the West and East Africa.

Further afield, the Australian market for Kinnie continued to show steady growth with discussions underway to extend agency representation and widen the Company's sales and distribution network.

Kinnie & Kinnie Light manufactured under licence in Australia

On-premise promotional activities in the Middle East featuring Cisk Excel

The Farsons Team at the SIAL exhibition held in Paris in October 2022



Kinnie advertisement in Poland

2022 also saw the Company's duty-free business improve as tourism numbers recovered within the airline and cruise liner business alongside increased demand via local ship chandlers.

New leads were also generated via the Company's participation at both Gulfood in the UAE and SIAL in France, where strong interest was once again shown in both our alcoholic and non-alcoholic range of beers, paving the way for another year of opportunity and growth.

Busy Farsons exhibition booth at the Gulfood exhibition Dubai in February 2022

As the Company's largest Kinnie export market by volume and the only country outside of Malta in which Kinnie is currently produced under franchise, Australia remains a key market, with promising growth potential.

Taiwan, likewise, also registered continued sales of Cisk Strong where the product is available within the retail sector for the second year running, and which augers well.

In mainland Europe, the Italian market continues to be a critical market for our sales of kegged beer in the on-premise segment served via approximately 20 regional distributors. Following the significant negative impact of COVID-19 on this market segment, a positive recovery was registered in 2022, resulting in some significant improvements. Likewise, good developments were also registered in the UK market, where the Company similarly made some adjustments to its marketing and sales strategy with plans and discussions also underway to re-introduce its kegged beers.

New European market entries took place in Norway and Greece, while Kinnie was also notably made available on Amazon.de following its decade successful long presence on Amazon.uk.

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

FARSONS BEVERAGE IMPORTS COMPANY LIMITED

The year was a successful one for FBIC, even if it was a particularly challenging one, where positive market movements within the beverage category were hindered by various product difficulties created by the extraordinary global crisis.

With the lifting of restrictions in the early months of the year on public movement in relation to the pandemic, consumers were happy to be able to go out and enjoy themselves again. Most outlets were very busy during summer and a good demand for our brands was generated.

Apart from summer, Christmas was also a very positive period of consumption as people were very keen to celebrate, having missed out on the previous two years due to the pandemic. Since all restrictions were removed, large events started being organised again early in the year and FBIC was involved as brand sponsor at a number of these activities.

Many of our suppliers have faced problems of shortages of raw materials, particularly glass bottles. These production issues were further exacerbated by continued delays in shipping, an ongoing issue which started in 2021 and is expected to remain until at least the first half of 2023. The production and shipping difficulties have led to some product shortages and we suffered out-of-stock situations on some of our brands, even during peak periods.

Apart from lack of product, the energy crisis and the cost escalation of raw materials have led to unprecedented price increases, not only at the beginning of the year but also during other periods in the year. This has inevitably resulted in increased selling prices on the market.

“FBIC achieved good results, with sales turnover and profitability being higher than initially forecasted.”

To counter these issues on the market, we focused our efforts on a series of sales and marketing tactics based on building brands while supporting the market. We extended our efforts of previous years to expand sales in the off-trade, widening our sales and distribution to retail shops while running promotions and activations in these outlets. We also increased our focus on the on-trade. This customer category was the one that suffered significantly during the lockdown and, given the market recovery, required more support. We ran specific promotions in bars and restaurants and supported activities organised by the outlets.

We also worked extensively with our brand partners to create the right marketing campaigns for the major brands in our portfolio, making full use of social media as well as more traditional communication channels. These promotions were combined with trade and consumer offers to generate sales during specific periods.

Our coordinated sales and marketing efforts were largely successful and, despite the difficult environment and the stock issues faced throughout the whole year, results have been positive. FBIC achieved good results with sales turnover and profitability being higher than initially forecasted.

FARSONSDIRECT

FARSONSDIRECT

Farsonsdirect recorded a positive year. With the re-opening of international travel, we organised visits from several winemakers and held some special tasting events at the outlet, which attracted many private clients. Our business-to-business sales also continued to grow as smaller outlets make use of our ordering and delivery system.

E-commerce sales also showed significant increase, with our new website registering the highest level of monthly online sales since the launch of our e-commerce site. Our enhanced use of digital marketing on our social media pages helped direct more people to the e-commerce portal and, as a result, contributed to increased sales.

Farsonsdirect continues to play an extended role in our sales strategy.

FARSONS GROUP
EcoPure
BEVERAGE SERVICES

ECOPURE

EcoPure performed well, significantly increasing in turnover and profitability. Notwithstanding pressing challenges, EcoPure's overall performance has well exceeded pre-COVID-19 levels.

This positive sales result was achieved due to stabilisation of the market following the pandemic, but also as a result of higher temperatures during summer and a substantial increase in new customers. Another reason for the increase was due to the introduction of BCRS in November, when new customers, mainly from the domestic segment, opted to shift from one-way bottled water to the more convenient re-usable and eco-friendly San Michel bottled water delivery service.

"Notwithstanding pressing challenges, EcoPure's overall performance has well exceeded pre-COVID-19 levels"

The growing demand for our bottled water delivery service is being driven by our sales and marketing campaigns via various advertising channels with tailored water cooler bundle offers alongside the convenience of an efficient delivery service and the minimal environmental impact of the returnable bottle.

The focus will remain on optimising the existing water vendor routes in order to maximise their sales potential with the aim of sustaining growth in an efficient manner and to maximise profits, whilst still maintaining a high level of customer service.

FARSONS GROUP
Quintano
FOOD IMPORTERS

QUINTANO FOODS LIMITED

Last year, Quintano Foods had a positive performance and achieved strong year-on-year growth in both the retail and HoReCa sectors. Notwithstanding overall growth and increased economic activity, there were also several challenges that prevented the company from achieving even better results.

As the worst of the pandemic tapered off, the war in Ukraine kicked in resulting in a relatively slow start to the year. The widespread ripple effects of this latest global reality resulted in an accelerated surge in costs across the board, as well as supply shortages in terms of various raw materials and products.

On a more positive note, the country experienced a general, post-pandemic, boost in sales assisted by an upward trend in tourist arrivals, in conjunction with increased economic activity across various sectors. This, together with the opening of new supermarkets and an increase in online purchases, resulted in double digit growth in retail sales. The latter was somewhat curtailed by several supply shortages throughout the year. To mitigate these shortages, the company resorted to increasing its stockholding wherever possible and competitively adjusted pricing to reflect the newly increased costs.

It is also worth noting that following the pandemic, a much wider spectrum of consumers adopted online purchases as a regular practice. Whilst shopping in store is still the preferred option, it is evident that the convenience of ordering online and getting the products delivered straight to one's door has now become a growing reality. In fact, over the past few years we have seen a larger number of grocery retail outlets offering online sales and delivery via their web portals and/or aggregators.

As previously mentioned, the war in Ukraine brought about further challenges in terms of both supply and cost. These factors impacted prices and the consumers' disposable income. As a result of this, Quintano Foods persisted to channel most of its marketing investments towards below the line activities that focussed on consumer special offers and economy packs in both traditional and online trading channels.

Artistic impressions of the proposed food distribution centre, covering a site area of 7,000 sq m, which will treble our current food warehousing capacity.

"We are confident that with such planned investments we will experience further growth in the coming years."

Whilst most brands performed relatively well, the company achieved considerable growth in brands such as Danone, Lay's, Calve, Star, Mevgal and Solo Italia, amongst others.

Moreover, Quintano Foods managed to achieve continued growth, particularly in both the HoReCa sector and Food Chain. As travel bans were removed and tourism arrivals increased, HoReCa sales of brands such as Kraft Heinz foodservice, Evian, Hopla, De Cecco and others increased significantly. This, in conjunction with a growing client base of restaurants, hotels, and on-the-go outlets, resulted in a marked improvement in performance.

Following last year's decision to invest in a dedicated food distribution centre, the necessary preliminary preparations and development permits are well underway with works set to commence in June 2023. The project is targeted for completion around end 2025/early 2026.

We are confident that with such planned investments we will experience further growth in the coming years.

FARSONS GROUP
Food Chain
RESTAURANTS

FOOD CHAIN LIMITED

The restaurants operated by Food Chain recovered well following the challenges in previous years resulting from the pandemic, which impacted the entire hospitality sector, not least for Food Chain brands due to several external factors.

Food Chain registered double digit sales growth when compared to the previous year. Likewise the growth was recorded when compared to pre-COVID-19 years. Such growth was consistent across all three leading brands, even when compared to same-store sales, with Burger King and KFC remaining our top brands in sales and profitability.

This growth in turnover has not been equally reflected in terms of profitability due to significant increases in operational costs and an inability to fully pass on such increases to consumers.

> "Food Chain recovered well following the challenges in previous years"

BURGER KING

This has been a positive year for Burger King. Our Qormi and Mosta stores registered record sales since their opening, and we also saw encouraging results from the Paola, Sliema and Paceville outlets. We have launched several sandwiches throughout the year on a limited time offer and embarked on various promotional campaigns to further strengthen our presence in the local market. Notwithstanding the challenging recruitment environment, we have focused on improving our service levels across all stores through continued training.

We maintained our focus on strengthening our digital systems by encouraging customers to use the self-ordering methods via kiosks and to download the BK app to take advantage of the offers being promoted through the application. These kiosks have succeeded, helping users to avoid queueing and improving the overall experience. With time, we are seeing the use of these kiosks increase, which is driving lower waiting times and a better overall experience.

In September, we opened the doors to the new Burger King at the University Campus Hub, which displays Burger King's new visual identity and livery launched globally in early 2021. The restaurants boast

a comfortable dine-in area which has become very popular amongst university students, as well as the latest technology including four kiosks to enhance the ordering experience. This brings the number of BK restaurants to eight.

PIZZA HUT

We have continued to promote online orders on www.pizzahut.com.mt and strengthened the loyalty scheme for our online guests. In fact, throughout the year, we have continued to see a switch in order capturing from telephone orders to online orders. We have had several promotions and activations throughout the year to provide our guests with value when visiting our restaurants or ordering deliveries. We have also launched several new innovative products on a limited time offer. The pizza industry in Malta is a very competitive market which drives us to constantly deliver back-to-back campaigns and value offers.

In September, we opened the doors to our sixth Pizza Hut store at the University Campus Hub, which features the new Pizza Hut delco design.

KFC

KFC has remained our strongest brand in terms of growth in sales. Throughout the year, we launched several fresh and exciting marketing campaigns and cross-promotions. Together with these marketing campaigns, we also launched various innovative limited time offers. We will be focusing on improving KFC's systems and efficiencies through the introduction of a Kitchen Management System, as well as a new digital operational HACCP system for managers and POS integrations and other technologies.

In July, KFC Gzira was relocated to the new premises next to Paul & Rocco petrol station. The 'new' store boasts the latest KFC décor and visual identity. We have witnessed an increase in footfall due to its more convenient and prominent location.

BOOST

During the year, we launched the Australian smoothie franchise chain, Boost Juice Bars, through the opening of three stores in Sliema, Gzira and the University Campus Hub.

Even if the launch phase is proving to be challenging, we have pressed on with various marketing initiatives, collaborations, and brand-building aimed at giving that much needed market visibility.

THE BREWHOUSE COMPANY LIMITED

This year saw the start of the staggered reopening of the landmark Farsons 1950s brewhouse, which was the main brewing facility of our iconic beers until it was decommissioned in 2013. This was a realisation of a decade-long vision to reopen this iconic building to the public, which is a Grade 2-listed industrial space spread over 7,000 square metres. Following a carefully planned rehabilitation project, the building has now been restored and repurposed into an exceptional mixed-use destination.

Mr Michael Farrugia - Deputy Chief Executive (Beverage Business)

"This year saw the start of the staggered reopening of the landmark Farsons 1950s brewhouse"

We opened our doors in July 2022 with the launch of **Kettles Cafe**, a casual dining café, bistro and bar located on the lower ground level, just below the freshly restored beer brewing kettles. In March 2023, we also opened **The Farsons Brewery Experience**, a key attraction within The Brewhouse, where we celebrate our 100 years of rich heritage and history of the brewery and brands. Featuring an impressive range of restored industrial items and artefacts, audio-visual displays, sculptural exhibits and memorabilia, visitors will be provided with an architectural, immersive and educational experience that notably includes a visit to the fully restored brew hall, before heading up to the stunning rooftop bar, **The Cisk Tap**. The Cisk Tap is an experiential and classic inspired bar which enjoys 360-degree panoramic views of the island and which pays homage to the brewery's flagship beer, Cisk Lager. Completing the fully immersive visit to The Brewhouse is **The Farsons Brandstore**, a fully-fledged retail store offering an extensive premium range of quality branded merchandise.

Another layer of special importance to this development is Farsons' entry into the craft beer segment, following our investment in a state-of-the-art Microbrewery which is housed within **The Chapels Gastrobrewpub**. Featuring two beautifully converted 'Chapel'-like spaces, it also encompasses an 800 square metre outdoor beer garden and terrace suitable for a variety of events and activities.

The Brewhouse provides over 2,000 square metres of unique industrial workspaces for third party leasing, from the conversion of the former malt stores and cellars to the transformation of the former open fermentation vats, a portion of which has been allocated to hot desk leasing under **The Vats** brand. This is further complemented by a range of meeting rooms and event spaces – **The Redler Room** and **The Grist** – for large and small workshops, seminars, and conferences. The Brewhouse, together with its neighbouring Trident Park which were concurrently developed by Trident Estates plc, offers a tranquil and inspiring campus-type lifestyle for the public to enjoy.

The Farsons Brewery Experience interiors

THE FARSONS BREWERY EXPERIENCE

The Farsons Brewery Experience represents the apex of the regeneration brewhouse project. As part of this experience the visitor is immersed in the industrial heritage that permeates the edifice: from restored machinery to eye-catching images of years gone by, celebrating the people who worked here.

The experience enriches the character of the whole edifice, both in space and time. It welcomes the visitor with bold graphics, such as historical timelines, showcased memorabilia and ephemera, period setting installations of the founder Lewis V. Farrugia's office and Strait Street, complete with a fully restored Scammell truck, architectural plans and other attractive features. Short but informative interpretation panels have been installed throughout, while a series of audio-visual productions enliven the displays.

The second part of the display delves into the science and production of brewing. Colourful displays change the tone and dynamics of the experience: starting from a copper-clad rounded room, representing a kettle's interior, to large and bold visuals revealing the various facets of modern brewing and styles of brews. This section ends with a tasteful installation showing 'the DNA' of our company: brewing, bottling and canning - ready for distribution and the consumer's enjoyment.

The final part of the visit reinforces the celebratory mood through a wall showing some of our pedigree awards and accolades, coupled with a large-format timeline showing print advertisements from the pre-digital era. A selection of old as well as contemporary new TV adverts complements this.

The climax is reached inside the beautifully restored Brew Hall before guests are invited to enjoy a free pint of the freshest Cisk at the Cisk Tap on the penthouse level of The Brewhouse.

OUR STRATEGIC PRIORITIES

Retaining our competitiveness within both a local and international context remains at the heart of all our strategic priorities. This can best be maintained by staying focused on our customers and increasing efficiency through a continuous improvement mindset.

In our ongoing efforts to retain the right operating leverage, we must continue to focus on a more value-in, cost-out opportunistic approach. This requires a delicate strategic balance which addresses the immediate challenges, without losing sight of our commitment to invest in the long-term.

Beyond the traditional financial metrics of how we gauge our competitiveness, we need to fully recognise and adopt a broader perspective on what competitive advantage truly represents, in which both profit and purpose feature.

We have a powerhouse portfolio of iconic brands. Yet we need to keep in mind that attracting, nurturing and developing talent remains one of our top priorities, with prevailing talent shortage implying that internal promotion and progression is now more important than ever.

Unlocking the full potential of our people and the organisation, whilst creating a more inclusive and engaging workplace remain critical for our competitiveness. Likewise, the importance of succession planning is key to ensure progressive business continuity.

Another strategic priority remains that of strengthening our environmental credentials. The potential challenge here is that sustainability programmes often come with increased short-term costs as opposed to savings, so there will be a conflict between investment in sustainability initiatives versus investment in initiatives that drive short-term profitability. This, nonetheless, will not waiver our environmental commitment in any way.

> "We need to continue shaping the future with our ambitions by improving our operating model and capabilities"

As we strive to increasingly leverage technology and improve our connectivity, we have embarked on digitizing our route to the consumer through a B2B digital platform. The digitization of customer relationships will unlock new growth opportunities with better services and data insights, increasing sales and productivity.

We need to continue shaping the future with our ambitions by improving our operating model and capabilities, becoming a more digitally connected enterprise, whilst raising the bar in terms of sustainability and our social responsibility, thus evolving our corporate culture towards further value creation.

RENEWED AMBITION AND CONFIDENCE

It therefore gives me great pride to close off my thirteenth year as Group Chief Executive with these record results given it reaffirms our strong recovery shortly after a very turbulent and unprecedented period.

> "Despite the significant challenges, we are taking on the future with renewed ambition and confidence in our strategy"

Here, I need to emphasise that these results have been made possible thanks to the hard work and great effort of all our workforce, ably guided by a dedicated management team. Likewise, my gratitude goes to our Board, particularly to our Chairman, Louis A. Farrugia, whose experience, guidance and ongoing support have always served us well.

Going forward, we must continue to focus on stepping up our productivity to better sustain the investments required, improve profitability and capital efficiency. We need to stay focused on the shift towards better structured and disciplined entrepreneurship, without losing out on the much needed agility.

Despite the significant challenges, we are building on the momentum of this year's financial results and are taking on the future with renewed ambition and confidence in our strategy.

All this is what will differentiate us and make us real enablers as we continuously endeavour to improve our competitiveness and position ourselves to navigate through the future in the best way possible.

Norman Aquilina
Group Chief Executive
18 May 2023

SIMONDS FARSONS CISK PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2023

DIRECTORS' REPORT

The Board of Directors presents their annual report and the audited consolidated financial statements for the year ended 31 January 2023.

Principal activities

The Group is engaged in the brewing, production and sale of branded beers and beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, the operation of franchised food retailing establishments as well as independent food and beverage retail outlets and a visitors' centre.

Review of the business

TRADING PERFORMANCE

The Board of Directors hereby announces the financial results of the Farsons Group (the Group) for the year ended 31 January 2023 (FY 2023).

After two consecutive years during which the Group's businesses were adversely affected in varying degrees by the impact of the COVID-19 pandemic, FY 2023 was largely "COVID free" as all restrictions were lifted at the start of summer 2022. The tourist and leisure sectors, which are so important to the Group's business, recovered gradually but strongly over the year. At 2,276,000 tourist arrivals during (calendar) 2022, though still short of the pre-pandemic numbers of 2019, showed a healthy increase from the 968,000 arrivals of 2021. As a result of the mitigating measures that had been taken during the pandemic period, the Group was well placed for the recovery, and as will be seen below revenues improved across all business sectors as did overall Group profits.

Although COVID-19 related pressures eased somewhat – others emerged from the war in Ukraine, and the combination of the economic aftershocks from the surge in demand post COVID-19 and the Ukrainian war caused acute supply chain dislocation and the emergence of inflationary pressures not seen in a generation. These sharp increases in prices and uncertainties of supply of critical raw materials brought a new set of challenges to test the executive team. Careful forward planning and agility were required to secure supply of critical products at acceptable prices and inventory levels were run up to ensure adequacy of stocks to meet demand. Sometimes the more difficult negotiation was securing supply – with price discussion following later.

Group turnover for the year amounted to €118.2 million - an increase of 29% over FY 2022 turnover of €91.8 million. The increase in turnover was registered across all the segments of the Group's businesses, with the higher rate of growth being experienced in the franchised food retailing establishments (plus 38%), whilst the food and beverages importation operations as well as the brewing, production and sale of beer + branded beverages averaged a growth rate of 27%.

Group profit before taxation for the year amounted to €15.3 million (FY 2022: €12.2 million) – an increase of 25%. As will be noted, profits improved at a lesser rate than overall turnover. Operating margins have therefore suffered – and this has been due to a combination of the sharp inflationary pressures on raw material and other costs experienced over the course of the year as well as the rapid structural changes being experienced across the entire franchised food retailing sector. COVID-19 related restrictions stimulated the "take home" sector and encouraged the emergence of consolidators/aggregators in the supply chain. This trend has continued to grow post COVID and is having an impact on commission structures and gross margins across the sector. The opening of six new outlets during the year (some of which have yet to achieve critical scale) and higher manpower costs in a tight labour market have also compressed margins.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year totaled €26.4 million as compared with €22.7 million in FY 2022, an amount that reflects the cash generative capacity of a business that requires periods of high capital expenditure. Group net borrowings at 31 January 2023 amounted to €14.8 million (2022: €10.3 million). Whereas cash outflows applied to capital expenditure was €1.8 million lower in FY 2023 as compared with the previous year, the resumption of dividend payments together with higher inventory and receivable balances (reflecting increased levels of business activity) impacted overall borrowing levels, as did the phased paydown of indirect tax balances on which deferrals had been granted during the pandemic period. Gearing at the year-end stood at a modest 14.4% as compared with 12.6% at the end of FY 2022. Total equity of the Group at the year-end amounted to €139.2 million (2022: €129.2 million).

INVESTMENTS

The Group has completed its most recent major investment, the restoration of the Farsons Old Brewhouse. The operational management of this investment has been entrusted to a newly incorporated subsidiary managed by a dedicated and focused executive team. All the facilities within this unique venue (which also incorporates a Visitor Attraction which recounts the distinguished history of the Farsons Group) are now open for business and are being enjoyed in increasing numbers by both residents of Malta and visiting tourists. Within the franchised food segment, the Group undertook further investments with 6 new outlets opening or being relocated during the financial year.

As always, management and the Board are always looking to invest in the future well-being and growth of the Group. Ongoing investment pays particular attention to environmental considerations. These have included an extension of renewable energy initiatives through a major extension of PV panels at the Mriehel site. The Group has also committed its resources to the significant initiative launched during FY 2023 in the form of the Beverage Container Recycling Scheme (BCRS), which aims to recover 90% and recycle 85% of all beverage containers put on the market by the end of 2026. The Scheme has got off to an encouraging start, and in recent months close to 500,000 containers are being collected on a daily basis. The general public have embraced the objectives of the Scheme, and there is every indication that the ambitious 2026 targets referred to above can be met.

With the major Old Brewhouse project now complete, detailed consideration is being given to the logistical and storage capacity constraints being faced by the Group's beverages operations. Detailed studies are being carried out in respect of an automated returnable packages logistics facility within the Mriehel production facility footprint. This will involve a substantial capital investment which will be directed at greatly enhancing the efficiency and cost effectiveness of our beverages operation.

The Group's "food business" – that is the importation operations of Quintano Foods Limited and the retail franchise operations of Food Chain now consistently account for in excess of 30% of total Group revenues. These businesses are also facing storage capacity and logistical constraints that are inhibiting growth. During the forthcoming year, the Group will initiate a major investment in developing a new warehousing, offices and a state-of-the-art logistics centre for the food segment in Handaq, Qormi on land which is within the Group's portfolio. This investment will provide the food segment with the required specialist warehousing and logistics capabilities to be able to grow the existing portfolio in an efficient manner.

A strategic review of opportunities for the further expansion of the food business is currently being carried out by management in conjunction with the Board and will include a study of the most optimal corporate structure in which the business should be operated. The successful spin off of the Trident operations in 2018 has clearly shown the benefits that accrue to shareholders and the business itself from the laser like focus of a dedicated Board and executive team and the accompanying disciplines that these bring towards execution, capital and funding decisions and growth opportunities. As part of the review the Board will inter alia be carefully considering the benefits and advantages that may accrue to the food business and the shareholders from a potential structuring of the enlarged food operations in a separate listed entity. The strategic review is still work in progress and detailed proposals will be brought forward to the shareholders at the appropriate time.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2024

The end of the pandemic and improved performance of FY2023 appears to have brought about increased opportunities for growth in both turnover and profitability. However, other significant challenges have emerged. Rampant inflation, critical supply chain issues and a very tight labour market require timely decisions on a daily basis. Market pressures are such that it is not possible (or indeed desirable) to pass on all increases in costs to the consumer, where the higher cost of living is a reality that is driving choice. Margins will therefore continue to face erosion – and consequently cost savings, working smarter, greater automation and increases in efficiency are imperative. The Group is willingly responding to the environmental and sustainability demands of modern-day society – but meeting these demands also comes with a cost.

In the marketplace competition both locally and across the export sector remains fierce – and it is vital that the Group continues to sharpen its competitive edge with the highest quality range of products, ongoing innovation and super-efficient logistics and distribution services. Investment in digital technology will be key as efficient distribution can provide a vital competitive edge. Whereas FY 2023 closed off the turbulence of the COVID-19 pandemic era with sound financial results, FY 2024 will produce its own shopping list of new challenges. The resilience and agility demonstrated by the executive team over the past three years will need to be sustained.

The Board of Directors together with management constantly monitors the rapidly shifting macroeconomic and geo-political environment. The speed of change in terms of emerging challenges means that agility of response is critical to ensure that the business is protected and continues to grow and develop. The financial strength of the Farsons Group with shareholders' equity of €139 million remains an important element in terms of enabling the Group to weather the evolving economic scenarios. The Farsons Group will continue to manage its operations and finances in a diligent manner so as to be able to generate sustainable levels of turnover and profitability in the years to come.

FINANCIAL RISK MANAGEMENT

The Group and company are exposed to a variety of financial risks, including market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Refer to note 2 in these financial statements.

DIVIDENDS AND BONUS SHARES

The income statements and statements of financial position are set out on pages 72 to 74. As at 31 January 2023, retained earnings amounted to €78.9 million (2022: €70.9 million).

In FY 2022, following the first phase of the post COVID-19 business recovery, the Board felt able to declare interim dividends of €1.5 million each on 29 September 2021 and 9 December 2021 respectively, thus restoring dividend payments to shareholders after a 24-month suspension due to the economic crisis that was caused by the pandemic. These interim dividends were followed by a final net dividend amounting to €4.0 million which was paid to shareholders on 24 June 2022. Furthermore, following approval of the shareholders a further distribution of profits in the form of a bonus issue of 1 share for every 5 shares held was made to shareholders in August 2022. Total cash dividends paid in respect of FY 2022 therefore amounted to €7.0 million (equivalent to €0.194 per share adjusted for the 36 million shares in issue following approval of the bonus issue).

FY 2023 saw the resumption of an interim dividend declaration at the time of the publication of the half yearly results – and a net interim dividend of €1.62 million (equivalent to €0.045 per share) was paid on 19 October 2022.

In the light of the encouraging results achieved for FY 2023, the Board will be proposing to the forthcoming Annual General Meeting (AGM) the payment of a final net dividend for the year under review of €3.96 million (equivalent to €0.11 per share). If approved at the AGM, this dividend will be paid to shareholders on the 16 June 2023. Subject to this AGM approval the total dividends paid in respect of FY 2023 would amount to €5.58 million (equivalent to €0.155 per share).

DIRECTORS

The directors who held office during the year were:

Mr Louis A. Farrugia F.C.A. - *Chairman*
Mr Marcantonio Stagno d'Alcontres - *Vice-Chairman*
Marquis Marcus John Scicluna Marshall
Dr Max Ganado LL.D.
Mr Roderick Chalmers M.A. Div. (Edin.) F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms Marina Hogg
Mr Michael Farrugia M.A. (Edin.), MBA (Warwick)
Baroness Justine Pergola

Mr Roderick Chalmers, and Dr Max Ganado whose terms of appointment expire, retire from the board and are eligible for re-election.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2023 are included in the Annual Report 2023, which is published on the parent company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the parent company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and the parent company as at 31 January 2023, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the annual report includes a fair review of the development and performance of the business and the position of the Group and the parent company, together with a description of the principal risks and uncertainties that the Group and the parent company face.

GOING CONCERN BASIS

After making enquiries, the directors at the time of approving the financial statements have determined that there is a reasonable expectation that the Group and the parent company have adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

SHAREHOLDER REGISTER INFORMATION PURSUANT TO CAPITAL MARKETS RULE 5.64

Share capital information of the company is disclosed in note 12 of the financial statements.

The issued share capital consists of one class of ordinary shares with equal voting rights attached and freely transferable.

The list of shareholders holding 5% or more of the equity share capital is disclosed in this Annual Report.

Every shareholder owning twelve and a half per cent (12.5%) of the ordinary issued share capital of the company or more shall be entitled to appoint one director for each and every twelve and a half per cent (12.5%) of the ordinary share capital owned by such shareholder and such shareholder may remove, withdraw or replace such director at any time. Any appointment, removal, withdrawal or replacement of a director to or from the Board of Directors shall take effect upon receipt by the Board of Directors or the company secretary of a notice in writing to that effect from the shareholder owning twelve and a half per cent (12.5%) of the ordinary issued share capital of the company or more. Any remaining fractions will be disregarded in the appointment of the said directors but may be used in the election of further directors at an Annual General Meeting. The chairman is appointed by the directors from amongst the directors appointed or elected to the Board.

The rules governing the appointment, election or removal of directors are contained in the company's Articles of Association, Articles 93 to 101. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers and duties of directors are outlined in Articles 84 to 91 of the company's Articles of Association.

In terms of Article 12 of the said Articles of Association, the company may, subject to the provisions of the Maltese Companies Act, 1995 acquire or hold any of its shares.

The Collective Agreement regulates redundancies, early retirement, resignation or termination of employment of employees. No employment contracts are in place between the company and its directors, except as disclosed in the Remuneration report.

It is hereby declared that, as at 31 January 2023, the company is not party to any significant agreement pursuant to Capital Markets Rule 5.64.10.

Furthermore, the Board declares that the information required under Capital Markets Rules 5.64.5 and 5.64.7 are not applicable to the company.

REMUNERATION REPORT

The Remuneration Report is set out on pages 68 to 71 of this Annual Report and sets out details of the terms of reference and membership of the Remuneration Committee and the Remuneration strategy and policy of the Farsons Group. The Remuneration Report also sets out the required details of the remuneration paid to directors and the Group Chief Executive and of senior management. In accordance with Capital Market Rules 12.26L and 12.26M, the Remuneration Report will be subject to an advisory vote by the Shareholders at the forthcoming Annual General Meeting and will be made available on the company's website for a period of 10 years thereafter. The contents of the Remuneration Report have been reviewed by the external auditors to ensure that it conforms with the requirements of the Capital Market Rules.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Signed on behalf of the company's Board of Directors on 18 May 2023 by Louis A. Farrugia (Chairman) and Marcantonio Stagno d'Alcontres (Vice-Chairman) as per the Directors Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report 2022/3.

Registered address:

The Brewery
Mdina Road
Zone 2, Central Business District
Birkirkara CBD 2010
Malta

Telephone (+356) 2381 4291

Nadine Magro
Company Secretary

18 May 2023

STATEMENT BY THE DIRECTORS ON NON–FINANCIAL INFORMATION

This statement is being made by Simonds Farsons Cisk plc (SFC or Farsons) pursuant to Article 177 of the Companies Act (Cap. 386). In terms of the Sixth Schedule to the Act, SFC is obliged to prepare a report containing information to the extent necessary for an understanding of the Group's development, performance, position and the impact of its activities. For the purposes of the Act, SFC is hereby reporting on the impact of its activities on environmental, social and employee matters, as well as governance.

OUR BUSINESS MODEL

The Farsons Group is located in Malta and traces its origins to 1928.

The Group comprises SFC as the holding Company and which is also engaged in the manufacture of branded beers and beverages including the award–winning Cisk range of beers, Blue Label Amber Ale, the Kinnie range of soft drinks and San Michel table water among others. All the Group's subsidiaries are wholly owned. Both SFC and its subsidiaries represent a number of international market leaders in the food and beverage industry through long–standing relationships. Farsons Beverage Imports Company Limited is active in the importation, distribution and retail of wines and spirits, Quintano Foods Limited operates a food importation and distribution business whilst EcoPure Limited distributes dispensed bottled water. Food Chain Limited operates a number of franchised food outlets across the island. The Brewhouse Company Limited that was set up in October 2021 manages the operations of the Brewhouse, whilst supporting the Farsons Group in promoting its heritage and products. The Group's culture is one of total commitment to securing the highest standards of products and services and to sustain its reputation for quality and excellence.

SFC is a public company with its registered address being The Brewery, Mdina Road, Zone 2, Central Business District, CBD 2010, Birkirkara, Malta. SFC's issued share capital is made up of 36,000,000 ordinary shares of €0.30 each in nominal value. All shares carry equal voting rights and are listed on the Malta Stock Exchange. As at the year-end 79.3% of the issued shares were owned by the three major shareholders, with the balance being held by general public shareholders.

A description of the corporate governance structure deployed across the Group, including matters relating to the role and responsibilities of the Board are set out in the Corporate Governance Statement which forms part of this Annual Report.

Inter-alia, the Board assumes responsibility for identifying the principal business risks for the Group and overseeing the implementation and monitoring of appropriate risk management systems. The principal risks would include those that could cause a materially adverse impact to the Farsons Group's operations, products, reputation and business performance, its business relationships and/or the safety and well–being of its customers and employees. A comprehensive risk management review is conducted on a yearly basis, with the assistance of external consultants. This exercise undertakes a review of previously identified risks and the controls in place while identifying emerging risks, following which enhanced risk management protocols are put in place. The outbreak of the COVID–19 Pandemic was an acute reminder of the reality of unexpected external risk – and the Group responded with speed and agility in seeking to address the immediate consequences of the public health and business crisis stemming therefrom. Currently the impact of inflation, product shortages, supply chain disruption and the consequences of the war in Ukraine are all receiving particular attention.

The Group generated a turnover of €118.2 million during the year ended 31 January 2023 and employed an average of 910 (full time equivalent) employees during the year under review.

At Farsons, we have always recognised our corporate responsibility towards all stakeholders and the wider community we operate in.

We seek to engage in teamwork as well as foster respect and exercise integrity, whilst promoting dynamism and striving for excellence. We are committed to upholding the highest standards of corporate ethics and behaviour and as a public listed company, we remain transparent in our dealings and are guided by a strong sense of values where trust is central to all that we do.

THE INTRODUCTION OF ESG COMMITTEE

In line with its vision and values, the Group is committed to contribute to matters relating to climate change, the environment, and the well-being of our society. Hence, in December 2022 the Group set up an ESG Committee to implement and maintain the ESG strategy, actions, and goals, to effectively manage the Group's risks and opportunities emanating from such matters and to provide long-term value to its stakeholders. The Board is committed to adjust to a more sustainable, yet profitable, business model. The Committee is chaired by Mr Michael Farrugia, Director and Deputy Chief Executive (Beverage Business). Director Dr Max Ganado is also a member, whilst all other members form part of the management team of the Group, with each having responsibility over environmental, social and/or governance matters.

The risk to which our environment is exposed cannot be underestimated and represents an increasing area of focus on a global basis.

OUR COMMITMENT TO THE ENVIRONMENT

POLICIES AND RISKS

The risk to which our environment is exposed cannot be underestimated and represents an increasing area of focus on a global basis. Extreme weather events, natural disasters and water shortages are all in part consequences of global warming and the failure of climate change mitigation measures. Increasing attention is also being given to the indiscriminate use and disposal of plastic. As with beverage companies generally, the Group is exposed to environmental risks by way of its agricultural supply chains and its significant water consumption. Responsible disposal of packaging waste is also an obligation that has been an area of increasing policy focus and commitment for a number of years, as have water conservation and energy efficiency.

In its bid to counter the impact of environmental risks, continuing efforts are made to increase coordination with supply chain partners on an ongoing basis. Moreover, the Group continues to deploy significant resources and new investment towards the better management of water, energy emissions and packaging waste. The Group is consistently seeking new and innovative ways to secure sustainable use of limited natural resources.

WATER

At Farsons Group, water management is a way of our working life. We have built an operations culture around a strong awareness that water is not only our main raw material for the production of our beverages but also a scarce resource, especially within the specific context of the Maltese Islands. This belief is shared by employees at all levels. We strive to ensure and guarantee the efficient use of water in all our processes. Similarly, the recovery of water is a daily responsibility, and every effort is made to improve our processes as part of our water resource management programme. Our culture of corporate social responsibility and environmental sustainability ensures that water management is a shared responsibility across members of the entire Group.

All the water used in all Farsons-finished products is potable municipal water purchased from the Water Services Corporation. Irrespective of the source and the intended use, the water used in our products and processes goes through an extensive filtering, purification and treatment regime so as to meet the strict product water specifications necessary to meet the Group's premium quality standards. This water portion represents approximately 97% of the water used in our production processes with the remaining 3% being supplied as recycled water and water sourced from our water capture and storage capabilities. These water sources are typically reserved for the requirements of the production of washing water and maintaining equipment.

The Group also recovers water from a number of processes including Can and PET bottle rinsing, and some water filtration processes. Another important aspect of water management at Farsons relates to the recovery of condensate water generated during production and use of steam in its various processes. This is in turn re-used to generate more steam.

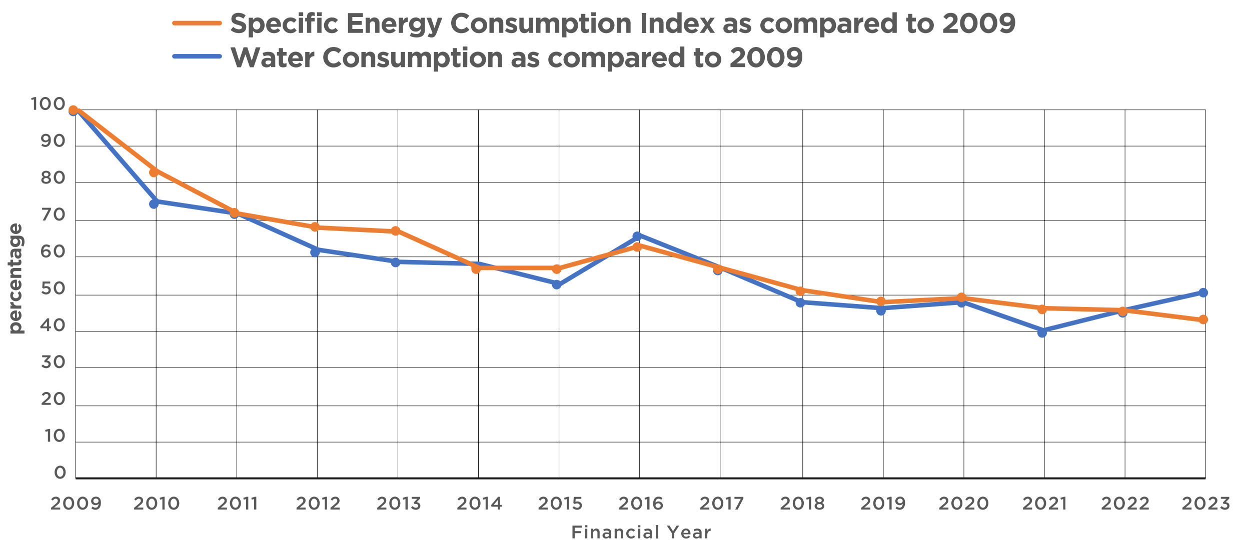
Additionally, the consumption of the different water types in all our processes as well as for all product types is being monitored on a weekly basis. The water indices for each product type are calculated and discussed during the monthly Performance Review Meeting. This continues to prove the commitment by the Group to effectively manage this valuable resource, whilst utilising the most sustainable practices.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

The Group recognises the impact of emissions on its environment and is committed to reduce its carbon footprint. Existing operations are monitored for both their impact on energy usage and that on greenhouse gas emissions. Improvements are being implemented on an ongoing basis and investment decisions on new projects unfailingly take into account the environmental implications as well as other commercial considerations. The policy is focused on reducing our carbon footprint and on countering air pollution by favouring on-site energy generation from renewable sources to the extent possible. Improvements have been recorded in the greenhouse gas emissions and energy intensity over a number of years and continuing efforts are underway in these areas.

In its effort to improve energy efficiency and water conservation, the Group installed a new feedwater boiler tank at the Energy Centre. Three generators were replaced by two, state-of-the-art 750KVA generators which serve both SFC Operations and 'The Brewhouse' Building, which technology utilises high pressure injection exceeding the latest European standards and further increases fuel efficiency.

The Group plans to decommission its oldest refrigeration chiller, which was installed in the early 90s, following the successful installation of two larger refrigeration chillers.



Energy and water consumption measured per hectolitre of beverage produced from base year FY 2009. The reduction of our energy and water consumption remains an area of focus, with an overall declining trend over the past 14 years.

New Generators Installed

An additional installation of two large photovoltaic panels installations of 430KWp and 220KWp have been commissioned in March 2023. When adding the output of these new panels to that of the old panels, the combined system is estimated to generate around 1.5 million units (KWh) per year, enough to power close to 300 domestic houses with a resultant CO_2 emissions reduction of approximately 567 tons per year.

Further investments in this form of Green Energy are currently also being considered. An existing area of around 2,000 square metres and another new development site having an area of circa 1,000 square metres are undergoing feasibility studies for another two possible large photovoltaic installations.

Two new Air Compressors have been commissioned in October 2022. These replaced an older, larger and less efficient unit which was installed back in 2010. The older unit, having a power of 132 KW, delivered 21 m3/min of compressed air. The newer units have a combined input power of 145 KW and deliver 26m3/min hence making compressed air production 13% more efficient.

The Steam Boilers are currently being powered by Ultra Low Sulphur Fuel Oil (10ppm max Sulphur content). A feasibility study is being carried out to explore the possibility of having an LPG Fuel Storage and Distribution system installed to cover the fuel requirements of the boilers.

This year will also see the Group invest in a new CO_2 recovery plant, that will be able to extract around 500 tons of CO_2 per year from our beer fermentation process. This CO_2 will be reused in the production of beer, as well as in the refilling of beverage dispense cylinders and in the production of carbonated beverages.

A companywide Energy audit, being performed through an external energy auditor, has been recently commissioned. This study will highlight any possible areas where improvement in Energy and Water usage can be made with any potential considered through a complete Life Cycle Analysis (LCA) review.

ROUTE OPTIMISATION & FURTHER FLEET UPGRADE

Fleet Fuel consumption increased by 19% during the year under review, mainly due to an increase in volume sales, as the economy gradually recovered from the effects of the pandemic. The pandemic also caused clients to require more fragmented and frequent orders in view of the market uncertainties that prevailed. During the current year, whilst still maintaining a high level of customer service, the Group is looking to optimise distribution routes to reverse this trend and reduce fuel consumption. The new Transport Management System automatically distributes orders across all vehicles efficiently, whilst measuring CO_2 emissions per trip, minimising emissions as much as possible.

Whilst 67% of the Group's trucks are in line with the latest euro 6 emissions standard, the process of phasing out older models was delayed. This was not only due to the economic uncertainties, but also due to extended delivery times of new vehicles, causing vehicle manufacturers to struggle in keeping up with demand. Nonetheless, during the coming year, further investment in new trucks will continue, with the aim to complete the upgrading of the fleet to the latest emission standards by the end of the year. The Group has also upgraded the sales car fleet with seven electrical passenger vehicles. These vehicles performed well, and the initial high investment was partially subsidised through Government Grants.

Furthermore, following an evaluation with the Foundation for Transport and other local partners on the impact of the introduction of electric commercial vehicles, the Group plans on using the outcome of this pilot project as the blueprint to initiate our own transformation to a greener distribution model.

Another initiative is aimed to encourage employees to opt for electric when purchasing their car. The most challenging factor when coming to purchase an electric car is the availability of facilities to charge the vehicle as one requires a garage or carport, unless one lives close to public charging facilities. Farsons is looking into the possibility of introducing smart charging points whereby employees will have the facilities available to charge their cars whilst at work.

BEVERAGE CONTAINER REFUND SCHEME (BCRS)

Malta followed in the footsteps of 12 other EU member states when in November 2022 it introduced a 10-cent deposit return scheme, known as BCRS, for single-use drinks bottles and cans to improve and boost the national recycling performance.

Farsons is a founding member of the Malta Beverage Producers Association (MBPA). Together with the Beverage Importers and Retailers Associations, the MBPA formed BCRS Malta Ltd, that is authorised as the sole licence holder granted by Government to operate BCRS on the national territory as regulated by the relevant legal provisions and regulations and the Circular Economy Malta (CEMalta) Agency within the Ministry of Environment, Energy and Enterprise.

BCRS Malta Ltd is a not-for-profit private operator that invested €18 million into the construction of Malta's first privately funded Clearing Centre and Sorting Plant in Hal-Far that is solely dedicated to beverage containers as well as 320 reverse vending machines equipped with smart technology, amongst others, with a target of recovering up to 90 per cent of the estimated 230 million beverage containers placed on the market annually by the end of 2026.

The recyclable materials (plastic/PET, aluminium, steel and glass) are then sent to European-licensed recycling plants where they are recycled into new material and resources. Through the scheme, Malta is aiming to be fully compliant with the European Union's established targets for the collection and recycling of beverage containers.

BCRS is a fully circular economy initiative as it collects beverage containers in a clean manner – separated from any other material waste stream –ensuring that these containers are free from any external contamination and that therefore allows them to be fully recycled and used again to produce new beverage containers and other resources in accordance with the principles of a circular economy.

The circular economy is a model of production and consumption that involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products for as long as technically possible to reduce waste to an absolute minimum. In this way, the lifecycle of products is drastically extended because they can be used productively and efficiently again and again.

OTHER WASTE STREAMS

Our main objective remains that of reducing the "black bag/landfill" waste and to drastically increase the recycling rate to accelerate adoption of circular economy packaging solutions. In this sense, we have already seen a substantial increase in the recycling of carton and plastic. We are now re-directing our attention to the waste generated in the offices' areas where we are encouraging employees to separate better and more efficiently.

Over the past year we have witnessed the introduction of BCRS, and we are encouraging our employees to make use of reusable bottles for consumption of water on the go. We are in the process of distributing 1 litre reusable bottles to all employees to encourage them to refill them from the various EcoPure dispensing machines placed throughout the whole site.

Once again, we have renewed our membership with GreenPak Coop, as our authorised waste recovery partner.

All Waste electrical and electronic equipment (WEEE) items comprising fridges, dispensing equipment and vending machines, placed on the market together with all electronic equipment utilised within the Group are fully recovered and returned for recycling purposes.

OUR COMMITMENT TO OUR PEOPLE AND TO THE WIDER SOCIETY

POLICIES AND RISKS

The Board is committed to enhance the quality of life of its employees and their families and of the community and society at large. The maxim "together each achieves more" is adopted by the Group to emphasise the importance of adopting a team approach and of working together as stakeholders to reach our respective objectives together.

TRAINING AND EDUCATION

The Group recognises the importance of the training and education of its employees and is committed to investing in such learning to ensure that they have the necessary skills and knowledge to perform their duties effectively. This is particularly relevant in a labour market that is becoming all the more challenging, particularly following the pandemic, and which requires more emphasis on upskilling in order to enhance competitiveness.

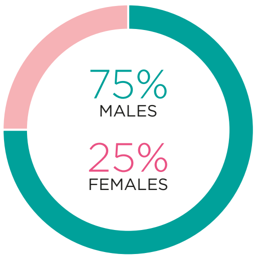
The Group has continued to prioritise employee development through various initiatives and programmes. In the financial year 2022-2023, the Group provided a range of training opportunities to its staff, including both internal and external training programmes, workshops and seminars which address technical, transversal, management and leadership skills. During this financial year a total of 6,363 hours of training were delivered to 1,630 participants. This includes all Group employees but excludes Food Chain crew who benefit from training requirements as per the respective international brands' franchise guidelines.

The Group also continued to support employees seeking to further their education by sponsoring learning programmes leading to recognised qualifications. Such study subsidy contracts also provide for paid study leave in line with the organisation's learning and development strategy. Overall, the Group is committed to providing its employees with the necessary training and education to foster their professional growth and development, as well as enhance the Group's performance and competitiveness in the market.

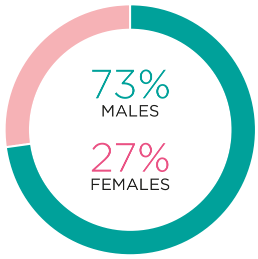
PERFORMANCE APPRAISAL

Performance Management at Farsons is crucial for the continuing success of the Group. All employees, regardless of employee category are included in the Performance Management Programme and are appraised periodically through regular reviews to discuss their set objectives, receive feedback on their performance, skills and competencies as well as their training needs for the forthcoming year within a career development plan. Assigned reviewers are regularly trained to enable them to acquire and develop the right skills required to conduct their team members' performance reviews.

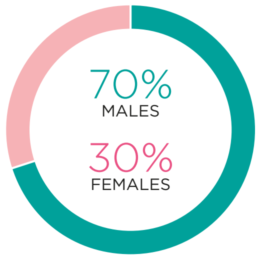
GOVERNANCE OF THE FARSONS GROUP BY GENDER



MANAGEMENT OF THE FARSONS GROUP BY GENDER



EMPLOYEES OF THE FARSONS GROUP BY GENDER



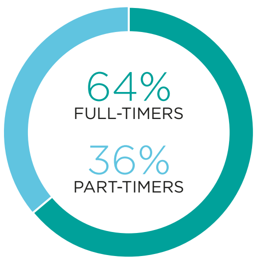
FARSONS GROUP EMPLOYEES' AVERAGE AGE

38.6 YEARS OLD

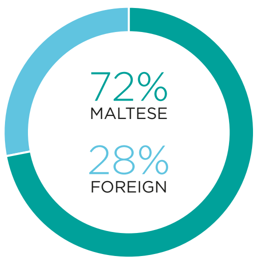
EMPLOYEES' AVERAGE YEARS OF SERVICE

5.8 YEARS

EMPLOYEES OF THE FARSONS GROUP BY TYPE OF ENGAGEMENT



EMPLOYEES OF THE FARSONS GROUP BY NATIONALITY



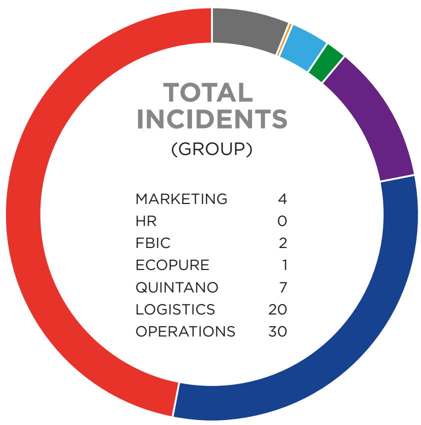
DIVERSITY, INCLUSION AND EQUALITY

The Group is certified with the Equality Mark issued by the National Commission for the Promotion of Equality. This is based on the Group's commitment to implement the relevant policies and practices related to gender equality and family friendly measures at the workplace and in access to goods and services. The Board believes that diverse experiences and perspectives allow for a stronger business, and this is brought about by fostering an inclusive environment, ensuring equal opportunities for all our employees and guaranteeing equal pay for equal work.

WORKPLACE SAFETY

The new variants of the COVID-19 pandemic still dominated the early months of 2022. However, by May, we started seeing the light at the end of the tunnel, and practically all restrictions were removed except for some exceptions in hospitals, medical clinics as well as elderly and care homes.

As business started catching up to pre-COVID-19 years, the increased working hours and volume of work has the potential of increasing the risk of accidents and work-related injuries due to higher frequency factors. Yet, this was not the case. In fact, the number of incidents decreased by more than 8% while the reportable injuries remained the same. The lost days due to injuries reduced by more than 30% for the second recurrent year. While one must interpret these positive statistics cautiously, one cannot fail to note that this positive trend has been ongoing for some years.



People are responding to working safely more positively. More focus is being given to educating and raising awareness instead of policing. More emphasis is being given to risk-assessing the systems, not just the tasks or the working environment. We are now focusing on the safety management system's potential failures, which is even more proactive and effective.

This system is based on the Vision Zero model:

1. Take leadership – demonstrate commitment
2. Identify hazards – control risks
3. Define targets – develop programmes
4. Ensure a safe and healthy system – be well-organised
5. Ensure health and safety in machines, equipment and workplaces - certification and maintenance
6. Improve qualifications – develop competence
7. Invest in people – motivate by participation

This model is based on the belief that all accidents, diseases and harm at work are preventable. With this in mind, we are committed to improving.

FOOD SAFETY

Our Quality and Food Safety programme was audited against three standards in the year 2022. This was done through the services of our accredited certification body, British Standards International (BSI) and the support of AIB international, which carries out inspections on behalf of PepsiCo. Two standards, BRCGS and AIB, relate to SFC's Food Safety Management Systems and the other standard, ISO 9001:2015, relates to the SFC's overall Quality Management System.

bsi ISO 9001 Quality Management Systems CERTIFIED

BRCGS Food Safety CERTIFICATED

Quality audits remain a priority as we promote a broader food safety culture.

We are proud to note that all three audits were successfully completed, leading to continued certification for the BRCGS and ISO 9001:2015 standards. AIB does not issue a certification, but issues a score, in which we received a respectable 865/1000. In BRCGS Food Safety, we scored a Grade AA, which is the highest score that can be achieved under the announced audit programme. Next year, the audit will be unannounced, with the opportunity to score a maximum score of AA+. The findings raised in these audits were successfully closed as is required for the certification to be re-issued. Two of the three audits were done remotely due to travel risks associated with the pandemic, which were still significant at the beginning of last year. Nevertheless, these were very productive exercises that supported our ongoing quest for continuous improvement operationally, but also in the wider context.

	TOTAL SUGAR CONTENT IN KGS					
	FY18 BASE YEAR	FY19	FY20	FY21	FY22	FY23
% REDUCTION FROM BASE YEAR 2017 (FY18)		-7%	-11%	-13%	-15%	-16%

REDUCING SUGAR CONSUMPTION

The original pledge the soft drinks industry had made in the European Union, via UNESDA, was to reduce average sugar content in the soft drinks portfolio by 10% by 2020 when compared to 2017.

The Group endorsed this pledge, and has actually reached its target by January 2020, when sugar reduction was reduced by 11% over 2017. Since then, we have continued to reduce overall average added sugar in our CSD portfolio on an annual basis and, despite no reformulations in full year 2023, we still managed to reduce sugar content by a better performance on sugar-free soft drinks vs full sugar (below summary refers).

UNESDA has committed to reduce average added sugars in soft drinks by another 10% from 2019-2025 across the EU-27 and the UK. This commitment is applicable to all product categories under UNESDA's remit including sparkling and still soft drinks but excludes bottled water, 100% juices, milk based and hot beverages.

Going forward, as members of UNESDA, Farsons has renewed its pledge and shall reduce another 10% of sugar by 2025.

RESPONSIBLE DRINKING

As a founding member of The Sense Group since 1997, Farsons continued to play a key role in promoting moderation in alcohol consumption for the Maltese public.

Through its majority membership and funding in this not-for-profit organisation it participated in a substantial summer campaign that reflected a post COVID-19 scenario of all the pent-up energy of fun seeking youths being targeted by promoters, particularly during the summer months. Every weekend, every national holiday and the eve before, saw large music events. Equally, large quantities of alcohol were consumed.

Apart from the harm and binge drinking aspect, the expectation of drink driving increase was expected, given that young Maltese drinkers were very much looking forward to this summer. To this effect, The Sense Group understood that the industry had a duty to advise consumers to make it a summer to remember. Its mission was to make people constantly aware that they should remember it for the right reasons; and above all to live to remember it.

Very high awareness of the campaign was registered on both social media and other media. This was acknowledged by European Industry Groups like Spirits Europe in Brussels.

THE FARSONS FOUNDATION

The Farsons Group has, since its inception recognised its corporate responsibility towards all stakeholders and the wider community. This is greatly manifested in the scope of the Farsons Foundation, established in 1995 as a non-profit, social purposes organisation designed to support deserving initiatives and charitable causes. The main objectives of the Foundation are the conservation and celebration of our local heritage, the support of technical education, awareness and opportunities in Malta and the backing of deserving initiatives and charitable causes.

During a year which saw the whole country doing its utmost to emerge from the shadows of the COVID-19 pandemic, the Farsons Foundation continued providing its support to various causes coming from different areas of society. Over the financial year, half of the requests met by the Foundation were of a Social Solidarity nature, 30% were related to cultural and historical initiatives with the remainder focusing on educational initiatives and projects.

Farsons Foundation presenting a donation to Hospice Malta

Farsons Team contributed to the clean up of one of Malta's largest fortresses and important heritage sites

COMMUNITY ENGAGEMENT

The Farsons Group has long recognised its responsibility of being a good "community citizen". This commitment forms an integral part of our mission statement and underpins our values which have stood the test of decades. It is manifested in the strong relationships which the Group has nurtured with community members and the community environment within the Central Business District whose Foundation, Farsons is also a founding member; the neighbouring communities through the various projects it has undertaken and supported over the years in Hamrun and Birkirkara through donations and contributions; as well as the broader local community through various CSR initiatives. These include support of philanthropic, educational, and cultural projects by the Group as well as its employees who volunteer time and effort to support these community initiatives. Particularly noteworthy is the activity taken with other local organisations around the feast of St. Joseph in March every year.

Following the social and economic uncertainties that have been brought about by the pandemic that also took its toll on the market, Farsons has sought to maintain its engagement with the community. These worthy initiatives include the final contribution made as part of its pledge to Hospice Malta towards the St Michael Hospice in St Venera. In addition, focus has been given to projects related to personal well-being both internally, amongst the Group's employees, as well as within the broader community, with particular emphasis on mental well-being and the management of personal finances which have become more of a priority as individuals face the brunt of increasing inflationary pressures.

Farsons supporting a consortium of Universities, including the University of Malta in their development of a new Masters Programme in the field of sustainability.

The Group has continued to run an Employee Assistance Programme for employees and their families with the support of The Richmond Foundation, has a collaboration agreement with Caritas and contributes significantly to an Employee Welfare Fund which are all active initiatives in creating awareness and providing support.

EVENTS & CSR

The HR department of Farsons Group organises a variety of engaging events throughout the year. These events cater to the diverse needs and interests of employees and are designed to enhance their personal and professional development. Besides a number of social events for employees and their families, as well as for retirees, other events are organised to mark particular international days throughout the year. The Group also runs a Wellbeing Programme that includes informative talks on physical as well as mental health issues, the provision of healthy snacks and fresh fruit for all employees, fitness classes, cultural outings and team-building activities.

CSR initiatives such as blood donation drives and the support to local heritage organisations through both financial and voluntary work by our employees underline the Group's commitment to the community. The HR department of Farsons Group endeavours to create a positive and inclusive work culture that values diversity, equity, and inclusion. As a result, employees are encouraged to participate in events and activities that reflect these values, thereby creating more engaged teams, and contributing to a more harmonious workplace. The department also collaborates with local NGOs to organise events that allow employees to give back to society. These events provide a platform for employees to make a positive impact on the community and society at large, an attribute which aligns with the Group's values and mission.

GOVERNANCE

In addition to the information provided in the Corporate Governance Statement forming part of this Annual Report, the Group has taken the initiative on numerous fronts to improve its overall reporting mechanisms with the implementation of various tools and software. A risk assessment is done on an annual basis whereby the priorities of the Group are outlined and worked on throughout the year, respecting the Farsons Group ethical values and supported by an internal audit function.

BOARD PORTAL AND DOCUMENTATION MANAGEMENT SOFTWARE

During the financial year under review the Board identified the need for a software to better manage the ever-increasing amount of documentation and reporting processes. In this respect a Board Portal and Documentation Software is being introduced to not only support the Board's monitoring functions, but also streamline its processes, ensuring effective information exchange as well as functional decision making, all the while upholding good governance.

HUMAN RESOURCES INFORMATION SYSTEM (HRIS)

The recently introduced Human Resources Information System (HRIS) also contributes to the Group governance as employee data and information is available to management, HR staff, and other relevant parties. This can help ensure that decisions are made based on accurate and up-to-date information all the while ensuring compliance with laws and regulations related to employment, such as minimum wage laws, overtime regulations, and employment laws. By automating HR processes and providing accurate data, the HRIS helps reduce the risk of non-compliance and related penalties.

The HRIS automates many routine HR tasks, such as payroll processing, benefits administration, and time-tracking. This will help save time and resources, allowing HR staff to focus on higher-value activities as it also provides management with access to data and analytics on employee performance, turnover, and other HR metrics. This can help inform strategic decision-making and enable management to identify and address issues proactively.

Employees are also provided with a self-service portal where they can access their own HR information, such as payslips, benefits, performance evaluations and training activities. This helps to increase employee engagement and satisfaction by empowering them to manage their own HR needs.

HR processes and policies across different departments and locations are standardised to ensure consistency and fairness in HR decision-making, reducing the risk of discrimination or bias, all the while helping to reduce the cost of HR operations by automating tasks and reducing the need for manual data entry and paperwork. This can result in significant cost savings over time, allowing our organisation to allocate resources to other areas of the business.

Better data management will help improve the accuracy and reliability of HR data by providing a centralised database for employee information. The HRIS facilitates communication between HR staff, management, and employees whilst ensuring security of employee data by providing role-based access controls and other security measures. This can help protect sensitive employee data from unauthorised access or disclosure, reducing the risk of data breaches or other security incidents.

TRANSPORT MANAGEMENT SYSTEM

The new Transport Management System being introduced shall provide better reporting through automated planning and control of routes based on client delivery time window as well as truck accessibility and constraints. This will allow live monitoring of the fleet based on established plan with visibility over deliveries satisfied or pending ones. Additionally, CO2 emissions per trip and clients' drops are calculated and client interaction is improved with direct visibility of the delivery process and status.

Functional controls based on client delivery time window, volumes delivered, distance covered and any variances from the plan are reported together with the deliverymen working hours.

BUSINESS RISK ASSESSMENTS

In terms of the Code of Principles of Good Corporate Governance, the Group Internal Auditor coordinates a risk assessment process during which senior managers and their respective teams update their respective business unit's risk register in line with the evolving risk environment. The Group Internal Auditor and a team of external consultants analyse, review, and challenge such updates, following which the revised risk register is presented to the Audit and Risk Committee.

INTERNAL AUDIT FUNCTION

The Group Internal Auditor works on the basis of an audit plan which focuses on high risk / priority areas as determined by the above-mentioned business risk assessment approach. The audit plan is approved by the Audit and Risk Committee at the beginning of the financial year, and subsequent revisions to this plan are authorised by the Audit and Risk Committee for any ad hoc assignments arising throughout the year.

ETHICS

Farsons' reputation is inherent to the way each of its directors and employees conduct themselves both individually and collectively as a Group. Our code of conduct identifies a set of ethical standards to which the Group requires its directors and employees to adhere to when exercising their duties, both inside and outside Farsons.

The code of conduct does not contain the answer to every ethical situation one may encounter but, together with existing policies and procedures, it is intended to guide Farsons Group directors and employees to "do the right thing" and to ensure the highest standards of integrity.

The code refers to respect towards other employees, customers, business partners, the community, and the environment. The code makes it clear that the Group has a zero-tolerance approach to bribery and corruption, money-laundering, fraud, violence, discrimination, intimidation, and harassment. When dealing with the Group and its employees, third parties are therefore entitled to expect a standard of conduct that reflects high standards of ethical behaviour.

FRAUD TRAINING

During the current financial year, an in-house fraud training session specifically tailored to the Food and Beverage industry was delivered to Group managers to highlight the importance of fraud awareness, train employees on how to prevent fraud, how to spot red flags, and also how to respond to fraud instances.

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM (CRM)

As part of the Company's ongoing digitalisation journey, we are working on implementing a Customer Relationship Management system (CRM). Once fully commissioned, this will allow us to better organise customer information across the various touchpoints, creating a single source of truth / 360° view of the customer across the whole organisation. This will help us continue to build good relationships with our clients and focus on driving sales and contribution growth by being better informed and up to date at all times.

CONSOLIDATED DISCLOSURES PURSUANT TO ARTICLE 8 OF THE TAXONOMY REGULATION

INTRODUCTION

In order to achieve the targets established by the European Union of reaching net zero greenhouse gas ('GHG') emissions by 2050, with an interim target of reducing GHG emissions by 55%, compared to 1990 levels, by 2030, the European Commission ('EC') has developed a taxonomy classification system, by virtue of EU Regulation 2020/852, ('the Taxonomy Regulation' or 'the EU Taxonomy'), which establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable.

The EU Taxonomy establishes criteria in terms of six environmental objectives, against which entities will be able to assess whether economic activities qualify as environmentally sustainable. In order to qualify as such, an economic activity must be assessed to substantially contribute to at least one of these environmental objectives, whilst doing no significant harm ('DNSH') to the remaining objectives. This is achieved by reference to technical screening criteria established in delegated acts to the EU Taxonomy. The economic activity is also required to meet minimum safeguards established in the EU Taxonomy. The six environmental objectives considered by the EU Taxonomy are the following:

i. Climate change mitigation;
ii. Climate change adaptation;
iii. Sustainable use and protection of water and marine resources;
iv. Transition to a circular economy;
v. Pollution prevention and control; and
vi. Protection and restoration of biodiversity and ecosystems.

The EC subsequently adopted a Delegated Act supplementing Article 8 of the Taxonomy Regulation ('the Disclosures Delegated Act') in 2021, which establishes the disclosure requirements of entities within the scope of the Taxonomy Regulation. At this stage, this solely comprises entities subject to an obligation to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU (being those entities subject to the Non-Financial Reporting Directive, 'NFRD').

In the following section, the Group, as a non-financial parent undertaking, presents the share of its turnover, capital expenditure (CapEx) and operating expenditure (OpEx) for the reporting period ended 31 January 2023, which are associated with taxonomy-eligible and taxonomy-aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Article 8 of the Taxonomy Regulation. The remaining four environmental objectives are expected to be captured as from 1 January 2024, in accordance with the draft Environmental Delegated Act ('EDA') which was published on 5 April 2023 and is subject to a feedback period until expected adoption by EC by June 2023. The Group will therefore continue to monitor market regulation and guidance in respect of this aspect of its Taxonomy reporting, given the imminent nature of such reporting requirements.

OUR ACTIVITIES

OVERVIEW

Proportion of taxonomy-eligible and taxonomy-aligned economic activities in total turnover, Capex and Opex in FY 2023

FY 2023	Total (€000)	Proportion of taxonomy-eligible (non-aligned) economic activities	Proportion of taxonomy-aligned economic activities	Proportion of taxonomy non-eligible economic activities
Turnover	118,238	0.2%	0.0%	99.8%
CapEx	13,065	46.6%	0.0%	53.4%
OpEx	27,526	9.2%	0.0%	90.8%

On a voluntary basis, the Group also provides comparatives for the financial year ended 31 January 2022. A comparative in relation to the proportion of taxonomy-aligned economic activities is not provided given that the requirement to report alignment became applicable as from 1 January 2023.

Proportion of taxonomy-eligible and taxonomy non-eligible economic activities in total turnover, Capex and Opex in FY 2022

FY 2022	Total (€000)	Proportion of taxonomy-eligible economic activities	Proportion of taxonomy non-eligible economic activities
Turnover	91,768	0.0%	100.0%
CapEx	18,619	31.7%	68.3%
OpEx	20,963	0.0%	100.0%

DEFINITIONS

'Taxonomy-eligible economic activity' means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation (that is, the Climate Delegated Act as of now), irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.

The Climate Delegated Act is structured such that Annex I contains a list of activities and the respective technical screening criteria in relation to the Climate Change Mitigation objective, whereas Annex II relates to the Climate Change Adaptation objective, with potentially different activities being considered in the different annexes.

A 'Taxonomy-aligned economic activity' refers to a taxonomy-eligible activity which:

i. complies with the technical screening criteria as defined in the Climate Delegated Act, where such criteria comprise:
   a. substantial contribution to one or more environmental objectives; and also
   b. 'do no significant harm' to any of the remaining environmental objectives;
ii. compliance with minimum safeguards regarding human and consumer rights, anti-corruption and bribery, taxation, and fair competition.

'Taxonomy-non-eligible economic activity' means any economic activity that is not described in the delegated acts supplementing the Taxonomy Regulation.

TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

The Group have examined all economic activities carried out to see which of these are taxonomy-eligible and also taxonomy-aligned in accordance with Annexes I and II to the Climate Delegated Act. The table below indicates the activities performed by the Group which have been identified as taxonomy-eligible and the environmental objective to which the activity may be associated with. Information on the extent to which the economic activities are also taxonomy-aligned is provided in the KPI templates further below.

Taxonomy-eligible activities were identified by extracting the total revenue, CapEx and OpEx required to be captured in the denominators of the respective KPIs and assessing the NACE code of the activities to which the amounts relate. The Group then assessed which of the identified NACE codes relate to activities included within the annexes to the Climate Delegated Act. For the identified eligible activities, the Group then began the process to begin assessing them against the technical screening criteria. However, this process is still currently ongoing, with no activities presently being classified as taxonomy-aligned.

Through the activity highlighted in the table below, the Group generates turnover, and generally incurs both CapEx and OpEx for these activities.

Taxonomy-eligible economic activities

Economic activity	Description	Turnover (%)*	CapEx (%)*	OpEx (%)*	Climate change mitigation	Climate change adaptation	NACEcode
7.7 Acquisition and Ownership of buildings	The generation of rental income through investment property held by the Group	0.2%	26.5%	0.0%	✔	✔	L68

*% of the total turnover, CapEx and OpEx included in the denominator of the respective KPI

TAXONOMY ELIGIBILITY

Economic activities classified under activity 7.7 'Acquisition and ownership of buildings' relate to the generation of rental income through property owned by the Group leased to third parties.

The CapEx classified as taxonomy-eligible entails capital investments which relate to necessary components to execute the respective turnover-generating economic activity. In the current year, this relates purely to the acquisition and development of buildings (under activity 7.7).

Other turnover generating activities performed by the Group classified as taxonomy non-eligible

The Group's taxonomy non-eligible economic activities relate to the brewing, production and sale of branded beers and beverages, importation and wholesale of food and beverages, the operation of franchised food retailing establishments as well as independent food and beverage retail outlets and hosting of a visitors' centre.

Taxonomy eligibility of investment activities not directly related to turnover-generating activities

Further to the activities from which the Group generates turnover, and generally incurs both CapEx and OpEx, the Group also engages in investment activities not directly related to its turnover-generating activities as highlighted below.

Individually taxonomy-eligible CapEx/OpEx and the corresponding economic activities

Economic activity	Description of the taxonomy-eligible purchased output or individual measure	Capex (%)*	Opex (%)*	Climate change mitigation	Climate change adaptation	NACE-code
6.6 Freight transport services by road	Purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E or its successor, for freight transport services by road.	1.5%	3.6%	✔	✔	H49
7.2 Renovation of existing buildings	All major renovation measures of existing buildings	5.9%	5.6%	✔	✔	F43
7.7 Acquisition and ownership of buildings	Acquisition of new leased premises	12.7%	0.0%	✔	✔	L68

*% of the total CapEx and OpEx included in the denominator of the respective KPI

TAXONOMY ALIGNMENT

Determining whether an activity meets the requirements to be classified as taxonomy-aligned requires considerable detailed information about the activity in order to properly assess it against the established technical screening criteria.

The Group is currently still in the process of gathering the necessary information in order to conclude that activities may be considered as taxonomy-aligned and verifying its accuracy. As a result of the ongoing process, the Group has not been able to substantiate the alignment of any of its activities in the current year.

As further progress is made in the Group's internal assessment process, certain activities may be identified as taxonomy-aligned without the need for further capital investments.

However, as a result of no activities being considered as taxonomy-aligned in the current year, disclosure requirements surrounding the assessment of taxonomy-alignment in accordance with section 1.2.2.1 of the Disclosures Delegated Act are not deemed to be applicable to the Group.

OUR KPIs AND ACCOUNTING POLICIES

The key performance indicators ('KPIs') comprise the turnover KPI, the CapEx KPI and the OpEx KPI. In presenting the Taxonomy KPIs, the Group uses the templates provided in Annex II to the Disclosures Delegated Act. Since the KPIs need to include an assessment of taxonomy-alignment for the first time for the reporting period 2023, the Group does not present comparative figures on taxonomy-alignment. Moreover, since the Group is not performing any of the activities related to natural gas and nuclear energy (activities 4.26-4.31), the Group is not using the dedicated templates introduced by the Complementary Delegated Act as regards activities in certain energy sectors.

TABLE 1 - TURNOVER

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering financial year 2023

				Substantial contribution criteria		DNSH Criteria									
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of turnover Year N	Taxonomy aligned proportion of turnover Year N-1	Category (enabling activity or transitional activity)
		€'000	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Percent*	*Percent*	*E/T*
A. TAXONOMY-ELIGIBLE ACTIVITIES															
A.1. Environmentally sustainable activities (Taxonomy-aligned)															
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–								0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)															
7.7 Acquisition and Ownership of buildings	L68	230	0.2%												
Turnover of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		230	0.2%	–	–										
Total Turnover of Taxonomy eligible activities (A.1 + A.2) (A)		**230**	**0.2%**	**–**	**–**								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES															
Turnover of Taxonomy-non-eligible activities (B)		**118,008**	**99.8%**												
Total (A + B)		**118,238**	**100.0%**												

TABLE 2 - CAPEX

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering financial year 2023

				Substantial contribution criteria		DNSH Criteria										
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of CapEx Year N	Taxonomy aligned proportion of CapEx Year N-1	Category (enabling activity)	Category (transitional activity)
		€'000	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Percent*	*Percent*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–								0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
6.6 Freight transport services by road	H49	199	1.5%													
7.2 Renovation of existing buildings	F43	771	5.9%													
7.7 Acquisition and ownership of buildings	L68	5,124	39.2%													
CapEx of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6,094	46.6%	–	–											
Total CapEx of Taxonomy eligible activities (A.1 + A.2) (A)		**6,094**	**46.9%**	**–**	**–**								0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
Capex of Taxonomy-non-eligible activities (B)		**6,971**	**53.4%**													
Total (A + B)		**13,065**	**100.0%**													

TABLE 3 - OPEX

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering financial year 2023

				Substantial contribution criteria		DNSH Criteria										
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine ressources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of OpEx Year N	Taxonomy aligned proportion of OpEx Year N-1	Category (enabling activity)	Category (transitional activity)
		€'000	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–								0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
6.6 Freight transport services by road	H49	1,004	3.6%													
7.2 Renovation of existing buildings	F43	1,532	5.6%													
7.7 Acquisition and ownership of buildings	L68	–	–													
OpEx of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,536	9.2%	–	–											
Total OpEx of Taxonomy eligible activities (A.1 + A.2) (A)		**2,536**	**9.2%**	–	–								0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
OpEx of Taxonomy-non-eligible activities (B)		**24,990**	**90.8%**													
Total (A + B)		**27,526**	**100.0%**													

The specification of the KPIs is determined in accordance with Annex I to the Disclosures Delegated Act. The Group adopts the methodology to determine taxonomy-alignment in accordance with the legal requirements and describes its policies in this regard as follows:

TURNOVER KPI

DEFINITION

The proportion of taxonomy-aligned economic activities of the total turnover has been calculated as the part of net turnover derived from products and services associated with taxonomy-aligned economic activities (numerator) divided by the net turnover (denominator), in each case for the financial year from 1 February 2022 to 31 January 2023. Given that the Group has not identified any taxonomy-aligned economic activities, the current proportion of alignment is 0%.

The denominator of the turnover KPI is based on the consolidated net turnover in accordance with paragraph 82(a) of IAS 1. For further details on our accounting policies regarding the Group's consolidated net turnover, refer to disclosure note 1.20 - Revenue recognition, of this Annual Report.

RECONCILIATION

The Group's consolidated net turnover captured in the denominator of the KPI of €118.2 million reconciles with the amount disclosed in the 'Revenue' financial statement line item included in the 'Income Statements' in the consolidated financial statements included in this annual report. Additionally, the amount also reconciles to Note 4 'Segment information' summarised below.

Revenue reconciliation	***Amount (€000)***
Turnover as per KPI denominator	118,238
Turnover as per the consolidated financial statements relating to:	
Brewing production & sale of branded beers & beverages	63,084
Importation, wholesale & retail of food and beverages, including wines & spirits	33,398
Operation of franchised food retailing establishments	21,756
Difference	**-**

From the amounts disclosed above, the amount of €228,724 allocated to Brewing production & sale of branded beers & beverages is disclosed as taxonomy-eligible under activity 7.7 'Acquisition and ownership of buildings' in the Turnover KPI.

All other revenue allocated to, Importation, wholesale & retail of food and beverages, and Operation of franchised food retailing establishments, amounting to €118 million is all disclosed as taxonomy non-eligible in the Turnover KPI.

CAPEX KPI

DEFINITION

The CapEx KPI is defined as taxonomy-aligned CapEx (numerator) divided by the Group's total CapEx (denominator).

Total CapEx consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation, and any remeasurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes acquisitions of tangible fixed assets (IAS 16), intangible fixed assets (IAS 38) and right-of-use assets (IFRS 16). Acquisitions of investment properties (IAS 40) and additions as a result of business combinations would also be captured however, the Group had no such activities in the current year. For further details on our accounting policies regarding the Group's CapEx, refer to disclosure notes 1.4 'Property plant and equipment', 1.5 'Intangible assets' and 1.21 'Leases', in the Group's consolidated financial statements included within this annual report.

The Disclosures Delegated Act established three categories under which to classify CapEx:

a) CapEx related to assets or processes that are associated with Taxonomy-aligned economic activities ("category a"). In this case, the Group considers that assets and processes are associated with Taxonomy-aligned economic activities where they are essential components necessary to execute an economic activity.

   The Group follows the generation of external revenues as a guiding principle to identify economic activities that are associated with CapEx under this category (a).

   Eligible CapEx under this category has been disclosed in the table named 'Taxonomy-eligible economic activity' in the 'Taxonomy eligible and Taxonomy-aligned economic activities' section above.

b) CapEx that is part of a plan to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-aligned economic activity ("category b").

   The Group has currently not developed such a plan, and therefore, no CapEx is considered to be eligible under this category.

c) CapEx related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling certain target activities to become low-carbon or to lead to GHG reductions ("category c").

   The Group distinguishes between the purchase of output and individual measures as follows:

   - 'Purchase of output' relates to when the Group just acquires the product or service that is mentioned in the activity description.
   - 'Individual measure' refers to when the Group acquires a product through an activity that is regularly performed by the supplier, but where the Group controls the content and design of the product in detail.

   Eligible CapEx under this category has been disclosed in the table named 'Individually taxonomy-eligible CapEx/OpEx and the corresponding economic activities' in the 'Taxonomy eligibility of investment activities not directly related to turnover generating activities' section above. The full amount of CapEx considered under this category relates purely to 'purchase of output'.

   Purchases of output qualify as taxonomy-aligned CapEx in cases where it can be verified that the respective supplier performed a taxonomy-aligned activity to produce the output that the Group acquired. Since taxonomy-alignment also includes DNSH criteria and minimum safeguards, the Group is not able to assess the Taxonomy-alignment on its own. For the purchased output in 2023, we were not able to obtain any conclusive confirmation of taxonomy-alignment.

   In order to avoid double counting in the CapEx KPI, the Group ensured that CapEx captured as part of "category a", which relates to turnover-generating activities, was not also included with the activities identified within "category c", particularly in the case of taxonomy-eligible CapEx relating to the acquisition of a property which is partly leased out to third parties and partly utilised by the Group in the performance of its own operations.

Reconciliation

The Group's total CapEx captured in the denominator of the KPI can be reconciled to the consolidated financial statements of the Group included in this annual report, by reference to the respective disclosures capturing the additions for property, plant and equipment, intangible assets, and right-of-use assets.

Capex Reconciliation	***Amount (€000)***
CapEx as per KPI denominator	13,065
Additions as per the consolidated financial statements relating to:	
Property, plant and equipment	10,907
Intangible assets	771
Right-of-use assets	2,081
Difference	-

The following is a detailed breakdown of the property, plant and equipment, intangible assets, and right-of-use assets amongst the different activities disclosed in the Capex KPI.

Detailed breakdown of property, plant and equipment additions	***Amount (€000)***
PPE additions as per the consolidated financial statements	10,907
Allocation of PPE in the CapEx KPI	
6.6 Freight transport services by road	199
7.2 Renovation of existing buildings	771
7.7 Acquisition and ownership of buildings	3,043
Taxonomy non-eligible	6,894
Difference	–

The additions to intangible assets of €77,000 are taxonomy non-eligible whereas the additions to the right-of-use assets relate to economic activity 7.7 - Acquisition and ownership of buildings.

OPEX KPI

DEFINITION

The OpEx KPI is defined as taxonomy-aligned OpEx (numerator) divided by the Group's total OpEx (denominator).

Total OpEx consists of direct non-capitalised costs that relate to all forms of maintenance and repair. This includes staff costs, costs for services and material costs for daily servicing as well as for regular and unplanned maintenance and repair measures. Direct non-capitalised costs in relation to research and development, building renovation measures and short-term leases would also be captured, however, no such costs were incurred in the current year.

The OpEx considered by the Group does not include expenses relating to the day-to-day operation of PPE, such as raw materials, cost of employees operating any equipment and electricity or fluids that are necessary to operate the PPE. Amortisation and depreciation are also not included in the OpEx KPI.

The Group also excludes direct costs for training and other human resources adaptation needs from the denominator and the numerator. This is because Annex I to the Disclosures Delegated Act lists these costs only for the numerator, which does not allow a mathematically meaningful calculation of the OpEx KPI.

The OpEx of the Group recognised during the financial year ended 31 January 2023 is disclosed further in the Group's consolidated financial statements included within this annual report with the amount included in the denominator of the KPI, €27,526 relating to Selling, Distribution, Administrative Expenses and movement in loss allowances.

Given that the Group has not identified any CapEx as being taxonomy-aligned, naturally, no OpEx is able to be considered as taxonomy-aligned.

CORPORATE GOVERNANCE STATEMENT

Introduction

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to the Capital Markets Rules which require that SFC, as a company whose equity securities are listed on a regulated market, should endeavour to adopt the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules. In terms of Capital Markets Rule 5.94, SFC is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Capital Markets Rules, SFC is hereby reporting on the extent of its adoption of the Code.

SFC acknowledges that the Code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the Board of Directors (the Board) and SFC's management to pursue objectives that are in the interest of the Company and its shareholders. Since its establishment, SFC has always adhered to generally accepted standards of good corporate governance encompassing the requirements for transparency, proper accountability and the fair treatment of shareholders. The Board of Directors has therefore endorsed and adopted the Code of Principles.

As demonstrated by the information set out in this statement, together with the information contained in the Remuneration Report and the Statement by the Directors on Non-Financial Information, SFC believes that it has save as indicated in the section entitled Non-compliance with the Code, throughout the accounting period under review, applied the principles and complied with the provisions of the Code. In the Non-compliance section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

Compliance with the Code

PRINCIPLE 1: THE BOARD

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. In terms of the Memorandum of Association of SFC, the affairs of the Company are managed and administered by a Board composed of eight directors.

The Board is in regular contact with the Group Chief Executive through the Chairman in order to ensure that the Board is in receipt of timely and appropriate information in relation to the business of SFC and management performance. This enables the Board to contribute effectively to the decision-making process, whilst at the same time exercising prudent and effective controls.

Prior to each meeting Directors are provided with the necessary information and explanatory data as may be required by the particular item on the agenda. Comprehensive financial statements together with a comprehensive analysis of financial and business performance are also provided to the Board every month. The Company has its own legal advisors, both internal and external. The Directors are entitled to seek independent professional advice at any time at the Company's expense where necessary for the proper performance of their duties and responsibilities.

All Board Members are accountable for their performance to shareholders and other stakeholders, attend regular Board Meetings and allocate sufficient time to perform their duties. The Board ensures integrity of transparency, operational controls and compliance the relevant laws.

The Board delegates specific responsibilities to a number of committees, notably the Corporate Governance Committee, the Related Party Transactions Committee, the Audit and Risk Committee and the Remuneration Committee, each of which operates under formal terms of reference approved by the Board. Further detail in relation to the committees and the responsibilities of the Board is found in Principles 4 and 5 of this statement.

Corporate Governance is considered as constitutive element intertwined in all discussions and decisions undertaken at the level of the Board and its Committees. This element had been fundamental in creating the corporate culture of the Company, setting the right tone at the top.

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE

The statute of SFC provides for the Board to appoint from amongst its Directors a Chairman and a Vice–Chairman. The Chairman is responsible to lead the Board and set its agenda, ensure that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company, ensure effective communication with shareholders, and encourage active engagement by all members of the Board for discussion of complex or contentious issues.

The role of the Senior Management Board (SMB) is to ensure effective overall management and control of Group business and proper co–ordination of the diverse activities undertaken by the various business units and subsidiaries which make up the Group.

The SMB is, inter alia, responsible:

1. for the formulation and implementation of policies as approved by the Board;
2. to achieve the objectives of the Group as determined by the Board and accordingly;
3. to devise and put into effect such plans and to organise, manage, direct and utilise the human resources available and all physical and other assets of the Group so as to achieve the most economically efficient use of all resources and highest possible profitability in the interest of the shareholders and all other stakeholders.

All members of the SMB itself are senior SFC executives with experience of the Group's business and with proven professional ability, and each has a particular sphere of interest within his competence. The Company's current organisational structure provides for the Group Chief Executive to chair the SMB. The Group Chief Executive reports regularly to the Board on the business and affairs of the Group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the Board are timely, give a true and correct picture of the issue or issues under consideration, and are of high professional standards as may be required by the subject matter concerned.

The Company has an Operations Board which discusses operational issues on a monthly basis, a Group Receivables Review Board which monitors the collection of receivables, and a Quality Board which monitors quality levels and controls. These boards are composed of executive managers of the Group. Each subsidiary has its own management structure and accounting systems and internal controls, and is governed by its own Board, whose members, are appointed by the Company and predominately, comprise SFC Directors and/or representatives of the SMB, and/or senior management of SFC.

The above arrangements provide sufficient delegation of powers to achieve effective management. The organisational structure ensures that decision-making powers are spread widely enough to allow proper control and reporting systems to be in place and maintained in such a way that no one individual or small group of individuals actually has unfettered powers of decision.

PRINCIPLE 3: COMPOSITION OF THE BOARD

Each member of the Board offers core skills, attributions and experience that are relevant to the successful operation of the Company. Although relevance of skills is key, a balance between skills represented is sought through the work of the Corporate Governance Committee to ensure that there is an appropriate mix of members with diverse backgrounds. The shareholders are aware of the importance at board level of diversity with regard to age, gender, educational and professional backgrounds among others, and although there is no formal diversity policy, every effort is made as and whenever possible to promote enhanced diversity whilst ensuring that the Board continues to meet its role and responsibility in the best possible way.

The Board is composed of a Chairman, one Executive Director, a Non–Executive Vice–Chairman and five other Non–Executive Directors.

Executive Directors
Mr Louis A. Farrugia F.C.A. – Chairman
Mr Michael Farrugia M.A. (Edin.), MBA (Warwick) – Executive Director
Deputy Chief Executive (Beverage Business)

Non-Executive Directors
Mr Marcantonio Stagno d'Alcontres – Vice-Chairman
Marquis Marcus John Scicluna Marshall
Dr Max Ganado LL.D, LLM (Dal)
Mr Roderick Chalmers M.A. Div. (Edin.) F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms Marina Hogg
Baroness Justine Pergola

The Group Chief Executive attends all Board meetings, albeit without a vote, in order to ensure his full understanding and appreciation of the Board's policy and strategy, and so that he can provide direct input to the Board's deliberations. The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provide a balance of competences that are required and add value to the functioning of the Board and its direction to the Company.

It is in the interest of each of the three major shareholders (who are the original promoters of the Company) to nominate as Directors knowledgeable, experienced and diligent persons. Apart from this, informal arrangements, which do not infringe on their rights as shareholders, exist for consultation prior to any changes in the membership of the Board, as well as to assist in the identification of suitable persons who can be nominated for election by the other shareholders at general meetings, and who can bring in an independent viewpoint and particular knowledge to the deliberations of the Board.

Family relationships among Directors, the Directors' interest in the share capital of the Company as disclosed in the Shareholder Information and the commonality of Directors with Trident Estates plc with which the Company maintains contractual relationships, represent potential conflicts of interest. This notwithstanding, all Directors except for the Chairman and for Mr. Michael Farrugia, are considered to be independent in that they do not hold any relationship with the Company, a controlling shareholder or their management which creates a conflict of interest such as to impair their judgement. This has been ensured through the implementation of the following measures:

a. Disclosure and Exclusion: a Director is obliged to disclose any matter that may give rise to a potential or actual conflict. Following this, the respective Director is excluded from any deliberations and voting in respect of such matter;

b. Related Party Transactions Committee: with regards to any transactions which may be determined to be related party transactions, such transactions are referred to and dealt by the Related Party Transactions Committee (the "Committee"). Similar to the situation at Board level, any Director who is a related party with respect to a particular transaction is not permitted to participate in the Committee's deliberation and decision on the transaction concerned. Furthermore, due to the fact that the most common of matters in which a related party transaction may arise would be in relation to a transaction with Trident Estates plc, the Committee in session is made up of Directors who are not common directors on the boards of both Trident Estates plc and the Company;

c. Continuing Conflict: any Director having a continuing material interest that conflicts with the interests of the Company is obliged to take effective steps to eliminate the grounds for conflict and should this not be possible, said Director is encouraged to consider resigning;

d. Separation of Family Interests: there are no ties or relationships between management and the Directors. The Board has taken the view that the length of service on the Board does not undermine any of the Directors' ability to consider appropriately the issues which are brought before the Board. Apart from possessing valuable experience and wide knowledge of the Company and its operations, the Board feels that the Directors in question are able to exercise independent judgement and are free from any relationship which can hinder their objectivity. Although, the Board believes that by definition, employment with the Company renders a Director non–independent from the institution, this should not however, in any manner, detract from the non–independent Directors' ability to maintain independence of analysis, decision and action.

PRINCIPLES 4 AND 5: THE RESPONSIBILITIES OF THE BOARD AND BOARD MEETINGS

The Board meets regularly every month apart from other occasions as may be needed. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub–committees as mentioned further below, either to assure good corporate governance, or to contribute more effectively to the decision making process.

Meetings held:	15
Members attended:	
Mr Louis A. Farrugia	15
Mr Marcantonio Stagno d'Alcontres	15
Marquis Marcus John Scicluna Marshall	14
Dr Max Ganado	14
Mr Roderick Chalmers	14
Ms Marina Hogg	15
Mr Michael Farrugia	14
Baroness Justine Pergola	13

The Board, in fulfilling this mandate within the terms of the Company's Memorandum and Articles of Association, and discharging its duty of stewardship of the Company and the Group, assumes responsibility for the following:

- reviewing and approving the business plan and targets that are submitted by management, and working with management in the implementation of the business plan;
- identifying the principal business risks for the Group and overseeing the implementation and monitoring of appropriate risk management systems;
- ensuring that effective internal control and management information systems for the Group are in place;
- assessing the performance of the Group's executive officers, including monitoring the establishment of appropriate systems for succession planning and for approving the compensation levels of such executive officers; and
- ensuring that the Group has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material error, losses or fraud. Through the Audit and Risk Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are monitored by the Group Internal Auditor.

In fulfilling its responsibilities, the Board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. The strategy, processes and policies adopted for implementation are regularly reviewed by the Board using key performance indicators. To assist it in fulfilling its obligations, the Board has delegated responsibility to the Chairman of the Senior Management Board.

Board Committees

The Board has set up the following sub–committees to assist it in the decision–making process and for the purposes of good corporate governance. The actual composition of these committees is given in the Annual Financial Report, but as stated earlier, each of the three major shareholders and the public shareholders are represented as far as possible.

The **Corporate Governance Committee** is chaired by a Non-Executive Director and is entrusted with leading the process for board appointments and to make recommendations to it. Any proposal for the appointment of a Director, whether by the three major shareholders or by the general meeting of shareholders should be accompanied by a recommendation from the Board, based on the advice of the Corporate Governance Committee. From time to time important matters relating to corporate governance are elevated and dealt with at full meetings of the Board at which all Directors participate. The respective terms of reference include monitoring and reviewing best corporate governance practices and reporting thereon to the Board. Directors and senior officers who wish to deal in the Company's listed securities are obliged to give advance notice to the Board through the Chairman (or in his absence to the Secretary of the Board) and records are kept accordingly.

The **Related Party Transactions Committee** is presided over by a Non–Executive Director and deals with and reports to the Board on all transactions with related parties. In the case of any Director who is a related party with respect to a particular transaction, such Director does not participate in the committee's deliberation and decision on the transaction concerned.

Control mechanisms relevant to the reporting of related party transactions are in place to ensure that information is vetted and collated on a timely basis, before reporting to the Related Party Transactions Committee for independent and final review of the transactions concerned.

The **Audit and Risk Committee**'s primary objective is to protect the interests of the Company's shareholders and assist the Directors in conducting their role effectively so that the Company's decision–making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Audit and Risk Committee is composed of the following Non–Executive Directors:

- Mr Roderick Chalmers – Chairman
- Ms Marina Hogg
- Marquis Marcus John Scicluna Marshall

The majority of the Directors on the Audit and Risk Committee are, Non-Executive Directors and, in the opinion of the Board, are free from any significant business, family or other relationship with the Company, its shareholders or its management that would create a conflict of interest such as to impair their judgement.

Roderick Chalmers is a professional qualified accountant with competence in matters relating to accounting and auditing. The Audit and Risk Committee as a whole has extensive experience in matters relating to the Company's area of operations, and therefore has the relevant competence required under the Capital Markets Rule 5.118.

The Audit and Risk Committee also reviews and approves the internal audit plan prior to the commencement of every financial year. The Audit and Risk Committee oversees the conduct of the internal and external audits and acts to facilitate communication between the Board, management, the external auditors and the Group internal auditor.

During the year ended 31 January 2023, the Audit and Risk Committee held six meetings. Audit and Risk Committee meetings are held mainly to discuss formal reports remitted by the Group internal auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

The Group internal auditor, who also acts as secretary to the Audit and Risk Committee, is present at Audit and Risk Committee meetings. The external auditors are invited to attend specific meetings of the Audit and Risk Committee and are also entitled to convene a meeting of the committee if they consider that it is necessary. The Chairman of the Senior Management Board and the Chief Financial Officer are also invited to attend Audit and Risk Committee meetings. Members of management may be asked to attend specific meetings at the discretion of the Audit and Risk Committee.

Apart from these formal meetings, the Audit and Risk Committee Chairman and the Group internal auditor meet informally on a regular basis to discuss ongoing issues.

The Group internal auditor has an independent status within the Group. In fact, the Group internal auditor reports directly to the Audit and Risk Committee and has right of direct access to the Chairman of the committee at all times.

The Group internal auditor works on the basis of an audit plan which focuses on areas of greatest risk as determined by a risk management approach. The audit plan is approved by the Audit and Risk Committee at the beginning of the financial year, and subsequent revisions to this plan in view of any ad hoc assignments arising throughout the year, would have to be approved by the Audit and Risk Committee Chairman.

The **Remuneration Committee** is dealt with under the Remuneration Report, which also includes the Remuneration statement in terms of Code Provisions 8.A.3 and 8.A.4.

PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

The Group Chief Executive is appointed by the Board and enjoys the full confidence of the Board. The Group Chief Executive, although responsible for the recruitment and selection of senior management, consults with the Board on the appointment of, and on a succession plan for, senior management.

Training (both internal and external) of management and employees is a priority, coordinated through the Company's Human Resources Department. On joining the Board, a Director is provided with briefings by the Chairman and the Group Chief Executive on the activities of the Company's business areas. Furthermore, all new Directors are offered a tailored induction programme. Directors may, where they judge it necessary to discharge their duties as Directors, take independent professional advice on any matter at the Company's expense.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to Board procedures, as well as good information flows within the Board and its Committees.

The Chairman ensures that Board members continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees. The Company provides the necessary resources for developing and updating its Directors' knowledge and capabilities. The Company Secretary is also responsible for advising the Board through the Chairman on all governance matters.

PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE

With effect from 1 May 2021, the role of the Board Performance Evaluation Committee was merged into that of the **Corporate Governance Committee** chaired by a Non–Executive Director. The committee is to deal with the Board's performance evaluation and identify ways how to improve the Board's effectiveness.

Periodic evaluations of Board Performance are conducted through a Board Effectiveness Questionnaire prepared by the Company Secretary in liaison with the Chairman of the Committee. The Company Secretary discusses the results with the Chairman of the Committee who then presents the same to the Board together with initiatives undertaken to improve the Board's performance. The latest review has not resulted in any material changes in the Company's internal organisation or in its governance structures. The Non–Executive Directors are responsible for the evaluation of the Chairman of the Board.

PRINCIPLE 8: COMMITTEES

See the section above dealing with Principles 4 and 5 for details relating to Board Committees.

PRINCIPLES 9 AND 10: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET, AND INSTITUTIONAL SHAREHOLDERS

Every shareholder owning twelve and a half percent (12.5%) of the ordinary issued share capital or more, is entitled to appoint and replace a Director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of Directors. Thus, each of the three major shareholders who are named and whose holdings are listed in note 34 to the financial statements, normally each appoint two Directors for a total of six, the remaining two Directors then being elected by the general public shareholders. Accordingly, no individual or small group of individuals will be in a position to dominate the Board. The interests of the Directors in the shares of the Company are disclosed in the Shareholders' information section of this Annual Financial Report.

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. The Board is of the view that during the period under review the Company has communicated effectively with the market through a number of company announcements and press releases.

The Board endeavours to protect and enhance the interests of both the Company and its shareholders, present and future. The Chairman ensures that the views of shareholders are communicated to the Board as a whole.

The Board always ensures that all holders of each class of capital are treated fairly and equally. The Board also acts in the context that its shareholders are constantly changing and, consequently, decisions take into account the interests of future shareholders as well. Shareholders also appreciate the significance of participation in the general meetings of the Company and particularly in the election of Directors.

They hold Directors to account for their actions, their stewardship of the Company's assets and the performance of the Company.

The agenda for general meetings of shareholders and the conduct of such meetings is arranged in such a manner to encourage valid discussion and decision-taking. The Chairman and the Group Chief Executive also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

The Company also communicates with its shareholders through the Company's Annual General Meeting (AGM) (further detail is provided under the section entitled General Meetings). The Chairman makes arrangements for the Chairmen of the Audit and Risk Committee and the Remuneration Committee to be available to answer questions, if necessary.

Apart from the AGM, SFC communicates with its shareholders by way of the Annual Financial Report and by publishing its results on an annual basis. The Company's website (www.farsons.com) also contains information about the Company and its business, including an Investor Relations section. In addition, the Company holds a meeting for stockbrokers and financial intermediaries once a year to coincide with the publication of its Annual Financial Report.

The Company Secretary maintains two-way communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year and are given the opportunity to ask questions at the AGM or submit written questions in advance.

In terms of Article 51 of the Articles of Association of the Company and Article 129 of the Maltese Companies Act, 1995, the Board may call an extraordinary general meeting on the requisition of shareholders holding not less than one tenth (1/10) of the paid-up share capital of the Company. Minority shareholders are allowed to formally present an issue to the Board of Directors.

In the event of conflicts arising between minority shareholders and the three major shareholders, who are also the original promoters of the Company, every effort shall be made to seek mediation.

PRINCIPLE 11: CONFLICTS OF INTEREST

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest. Should any such conflicts of interest be perceived to arise:

- a Director is obliged to make full and frank disclosure with respect to any matter where there is a potential or actual conflict, whether such conflict arises from personal interests or the interests of the companies in which such person is a Director or officer;
- the said Director is excused from the meeting and accordingly is not involved in the Company's Board discussion on the matter; and
- the said Director does not vote on any such matter.

A Director having a continuing material interest that conflicts with the interests of the Company, is obliged to take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning.

On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Capital Markets Rules.

The Directors' interests in the share capital of the Company as at 31 January 2023 and as at 30 April 2023 are disclosed in the Shareholder Information section of this Annual Financial Report.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

The principal objective of the Company's commitment to Corporate Social Responsibility (CSR) is to provide support where possible in aspects that include social, occupational, financial, cultural and historical values. Tracing its origins since 1928, the Company is very much rooted in local culture and as a Company it endeavours to meet the expectations of the community by engaging among a host of other initiatives in the following:

- Encouraging moderate drinking and responsible alcohol consumption;
- Corporate Social Responsibility (CSR) Day initiative – Together with other sponsoring companies, employees volunteer to carry out turnkey projects involving one day's work during a public holiday;
- Sponsorships of major charitable events on a national level;
- Promoting the industrial heritage of the Maltese Islands;
- Co–operating with the University of Malta particularly in the areas of engineering, the built environment and history;
- Participation in recognised national student–exchange programmes for the benefit of local and foreign students;
- Assisting with environmental projects;
- Waste and energy conservation initiatives and policies;
- Liaising with NGOs and the provision of employment opportunity for groups of people with a disability on a yearly basis;
- Assisting employees encountering medical problems with obtaining overseas medical treatment;
- Supporting employees with a home loan interest subsidy scheme;
- Employee Assistance Programmes for employees needing support, rehabilitation, counselling and advice;
- The Farsons Foundation promotes and supports local initiatives and considers requests from a social, cultural and historical perspective at no commercial gain for the Company. The Foundation is entirely funded by subventions authorised by the SFC Board. The aims of the Foundation are to:

– promote and assist the development and public manifestation of Maltese culture especially in the fields of art, music, literature and drama;
– contribute research projects and assist in the publication of studies undertaken by any duly qualified person or persons, regarding Maltese disciplines relating to art, music and drama;
– provide assistance to talented Maltese to enable them to obtain higher professional standard than those that can be obtained locally in disciplines relating to art, music and drama;
– contribute by means of financial assistance towards the work of any private, voluntary and non–profit organisation or religious body engaged principally in fostering social solidarity.

Non-compliance with the Code

PRINCIPLE 4 (CODE PROVISION 4.2.7):

This Code Provision recommends "the development of a succession policy for the future composition of the Board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility".

The Memorandum and Articles of Association of the Company provide for the appointment of directors as being a matter reserved exclusively to SFC's shareholders (except where the need arises to fill a casual vacancy) as explained under Principle 3 in Section B. However, in recognition of evolving standards of good corporate governance, the Corporate Governance Committee has initiated discussions concerning the composition of the Board and succession policies in relation thereto. An active succession policy is however in place for senior executive positions in the Company including that of the Group Chief Executive.

Internal controls

Internal Control

The key features of the Group's system of internal control are as follows:

Organisation:

The Group operates through Boards of Directors of subsidiaries with clear reporting lines and delegation of powers.

Control Environment:

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

Risk Identification:

Group management is responsible together with each subsidiary's management, for the identification, evaluation, control and reporting of major risks applicable to their areas of business.

Reporting:

The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, reviews by management and internal audit.

On a monthly basis the Board receives a comprehensive analysis of financial and business performance, including reports comparing actual performance with budgets as well as the analysis of any variances.

Cybersecurity

As part of its effort to combat cybersecurity, SFC have implemented, and continue to implement and upgrade on an ongoing basis, a series of cyber-defense technical layers in place across all systems, also through specialised cybersecurity technical partners that are based on the identified risks, established and new technology trends and recognised industry best practices, with all processes that are also further fine-tuned in response to varied and new cybersecurity related threats as they emerge and are identified accordingly. Besides the many purely technical measures, SFC also ensures adequate user awareness on cybersecurity matters that includes informing, educating and testing employees to help protect the business against forms of cybercrimes, including phishing and other social-engineering related threats. Moreover, SFC also liaises as required with local and international related authorities such as the National Cyber Security Committee to keep updated on related matters and to enhance awareness on specific local cyber risks and threats.

To complement all the above, SFC have engaged a highly specialised organisation focused solely on cybersecurity to conduct a cybersecurity assessment for the Group, so as to further reinforce this critical area while also acting as a reference point for any cybersecurity related advice and action.

For business continuity purposes, the IT function has implemented a series of redundancy measures and plans at various system, network and hardware levels that include, but are not limited to, provision of internet service (on which many systems depend) at both physical hardware access levels within our network and outside besides also ensuring varied other internet service provider links for continuity of service, data storage, server and backup management, communication links and others. We continuously test our redundant measures while implementing new measures in line with the IT plan and the Group's expanding and evolving business model.

Code of conduct

The existing Code of Conduct for SFC employees was updated in January 2015 to replace an earlier version that had been approved by the Board of Directors in September 1997. Nevertheless, its basic principles remained unchanged and reinforced the SFC's values of Success, Teamwork, Respect, Integrity, Dynamism and Excellence which are abbreviated by the acronym S.T.R.I.D.E.

SFC's reputation depends on how each of its employees conduct themselves both individually and collectively as a company. Therefore, the Code of Conduct is intended to serve as general guidance for all employees who are expected to "do the right thing" and to ensure the highest standards of integrity, mutual respect and cordiality contributing to an ethical and professional environment.

The full version of the Code of Conduct is accessible to all employees on the company's intranet whilst an abridged version is included on the Employee Handbook which is distributed in hard copy to all employees. The Group Human Resources Department promotes and ensure awareness of this document, inter alia by providing all new recruits with adequate training as well as refresher courses for existing employees.

The Code of Conduct makes it clear that the Board condemns any form of bribery and corruption, improper payments as well as money-laundering and has a zero-tolerance attitude to fraud malpractice and wrongdoing, and a commitment to ethics and best practice.

SFC employees have a responsibility to voice their concerns when they suspect/know that their superiors/colleagues are involved in something improper, unethical or inappropriate or have potentially infringed the Code of Conduct. The Speak-Up policy which was approved by the Board of Directors in April 2014 was established to ensure that all cases of suspected wrongdoing are reported and managed in a timely and appropriate manner. This policy sets out the channels which will be put in place to help employees and anyone who works for or with SFC to share any concerns they may have.

General meetings

The manner in which the general meeting is conducted is outlined in Articles 49 to 52 of the Company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995. An Annual General Meeting of shareholders is convened within seven months of the end of the financial year, to consider the annual consolidated financial statements, the Directors' and Auditor's report for the year, to decide on dividends recommended by the Board, and to elect the Directors and appoint the Auditors of the Company. The Remuneration Report is subjected to an advisory vote of the shareholders at each Annual General Meeting. Prior to the commencement of the Annual General Meeting, a presentation is made to shareholders on the progress made and strategies adopted during the year in the light of prevailing market and economic conditions and the objectives set by the Board, and an assessment on future prospects is given. The Group's presence on the worldwide web (www.farsons.com) contains a corporate information section.

Apart from the above, the Group publishes its financial results every six months and from time-to-time issues Company Announcements or other public notices regarding matters which may be of general interest or of material importance to shareholders and the market in general, or which may concern price sensitive issues.

At the time of the Annual General Meeting, the publication of the six–monthly report or significant events affecting the Group, public meetings are held to which institutional investors, financial intermediaries and inventory brokers are invited to attend. Press releases are also issued regularly on the business activities of the Group.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Capital Markets Rules, have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% of the voting issued share capital may request the Company to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Company at least forty–six (46) days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Company. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for that purpose.

Signed by Louis A. Farrugia (Chairman) and Marcantonio Stagno d'Alcontres (Vice-Chairman) on 18 May 2023.

REMUNERATION REPORT

1. Terms of Reference and Membership

The Remuneration Committee is composed of three independent non-executive Directors. During the financial year ended 31 January 2023 (FY 2023), the Remuneration Committee was composed of Marcantonio Stagno d'Alcontres (Chairman), Roderick Chalmers and Marcus John Scicluna Marshall. The Committee met 10 times during the year with all members in attendance.

In terms of the Remuneration Policy of the Group, the Remuneration Committee is responsible for reviewing and approving all remuneration packages of Executive Directors, Non-Executive Directors and Senior Management. The Remuneration Policy was approved by Shareholders at the 73rd Annual General Meeting held on 8 October 2020 with 25,154,915 votes in favour and 1,167 votes against and can be found on the Group's website www.farsons.com. Any material amendment to the Remuneration Policy shall be submitted to a vote by the Annual General Meeting before adoption and shall in any event be subject to confirmation at least every four years.

As provided in the Remuneration Policy, the recommendations of the Remuneration Committee are submitted to the full Board for consideration and final approval. Individual Executive Directors recuse themselves from any participation in Board discussions concerning their own remuneration as appropriate. The Remuneration Committee is also responsible for drawing up and proposing to the Company's Board of Directors any amendments thought necessary to the Remuneration Policy for consideration and approval. Any amendments to the Remuneration Policy will require the approval of Shareholders in the Annual General Meeting.

2. Remuneration strategy and policy

The strategy of the Farsons Group is founded on creating and nurturing world class brands which inspire the trust and loyalty of consumers; championing customer relationships and building meaningful partnerships; engaging talent and empowering employees to deliver sustainable and quality driven operations; connecting with the community and embracing our social and environmental responsibilities; providing a fair return to shareholders so as to ensure long-term investment and profitable growth. It is believed that it is through the implementation and observance of the above principles that the Group will accomplish the vision of growing its local and international business within the food and beverage sector.

In order to achieve the above strategic outcomes, it is necessary that the Farsons Group attracts, retains and motivates the best available talent at all levels – from the most recently recruited trainee to members of the Board of Directors.

In order to be successful in this quest of attracting, retaining and motivating best in class talent, it is essential that the Group's Remuneration Policy provides market-competitive salaries and related benefits by reference to those provided by other entities operating in relevant and comparative market sectors in what is becoming an increasingly competitive environment. There is therefore a clear synthesis in the pay structures of the wider workforce and executives across the Group, and the Board believes that this approach serves the best long-term interests of all stakeholders.

The above principles apply equally to Remuneration Policy insofar as Directors are concerned. However, there is a need to distinguish between Executive and Non-Executive Directors, and further details are provided below.

3. Remuneration Policy – Executive Directors

Executive Directors are members of the Board who also have an executive role in the day-to-day management of the Company and the Group. Apart from Mr Louis A. Farrugia and Mr Michael Farrugia, for the purposes of this Remuneration Report and pursuant to Capital Market Rule 12.2A, the Group Chief Executive Officer is considered to be an Executive Director of the Company.

Insofar as Executive Directors are concerned, remuneration is made up of the following components:

a **Fixed Pay** – Fixed or Base salary (including statutory bonus) - these are established by reference to the role, skills and experience of the individual concerned and appropriate market comparatives.

b **Variable Pay** – which is made up of two components as follows:

  i. ***Performance bonus*** – a variable component established by reference to the attainment or otherwise of pre-established quantitative targets. Quantitative goals could include pre-set profit, EBITDA and/or sales targets.

  ii. ***Discretionary bonus*** – also a variable component, established by reference to the evaluation of qualitative goals which are reviewed from time to time. Typically, targets are directed towards the long-term interest and sustainability of the Group, and could include the effective implementation of specific business initiatives and capital expenditure programmes, environmental and other CSR/ESG goals and staff retention initiatives.

The variable components to the remuneration awarded to Executive Directors are established from year to year and the quantitative and qualitative targets included therein would change from time to time depending on the circumstances of the business and the then prevailing commercial environment.

There are no pre-set fixed relationships between fixed and variable remuneration – and these would vary between Executive Directors (and indeed senior management). Whereas quantitative awards are usually formulaic in their calculation, discretionary and qualitative awards necessarily involve the application of subjective judgement.

Other provisions that form part of the Directors' Remuneration Policy include the following:

- Claw Backs – there are no claw back provisions in place in respect of variable salary awards.
- Benefits – which would comprise those benefits normally available to senior executives comprising principally (a) the provision of a suitable (taxed and insured) company car, (b) standard executive health insurance and life assurance cover, (c) mobile phone and allowance (d) other incidental benefits. Executive Directors also receive an expense allowance in reimbursement of certain expenses incurred in the execution of their respective roles and duties.
- Fees - Executive Directors are also entitled to receive the fixed Director's fee payable to all Directors in their capacity as members of the Board (see below). This component is payable from the aggregate amount of emoluments approved by the Shareholders in General Meeting.
- Share Option schemes – to date it has not been the policy of the Group to introduce any form of share option scheme or other executive share awards.

The Board believes that the above components of Executive Director remuneration serve to contribute to the realisation of the Group's long-term strategy and interest – and also serve to secure alignment between the interests of the Executive Directors and that of the Shareholders.

Members of the Board of Directors appointed under the provisions of Article 95 retire from office at least once every three years but remain eligible for re-appointment. Those members of the Board elected under the provisions of Article 96 shall retire from office at the end of the next Annual General Meeting following their election, and also remain eligible for re-election. With the exception of the Group Chief Executive (GCE), Executive Directors are all engaged without fixed term contracts. In terms of current labour regulations all are regarded as employees on indefinite contracts. Subject to satisfactory performance, the GCE is engaged on a (renewable) fixed term contract.

With the exception of the Executive Chairman, no long-term pension plans are in place. Insofar as the Executive Chairman is concerned, in view of his 40+ years of service to the Group, the Board has (on the recommendation of the Remuneration Committee) approved arrangements whereby his wife would receive a deferred lifetime annuity in the sum of approximately €60,000 per annum in the event that the Chairman pre-deceases her.

4. Remuneration policy – Non-Executive Directors

Non-Executive Directors are those members of the Board who do not have a role in the day-to-day executive management of the Company and the Group. Remuneration for Non-Executive Directors is determined by the Board of Directors as a whole and takes into account the skills required and those levels prevailing in the market for entities of a similar size and complexity.

The aggregate remuneration payable to Non-Executive Directors is approved by Shareholders in General Meeting pursuant to Article 81(1) of the Articles of Association of the Company and has two components:

- A fixed or base Director's fee which is established by reference to those levels prevailing in the market for entities of a similar size and complexity.
- A Board Committee fee for membership of the various established Board Committees. These Board Committee fees vary between Committees depending upon the relative workload and time commitment involved, and the skill sets, experience and professional knowledge required for the particular Committee concerned.
- From time-to-time circumstances arise whereby the Board of Directors (or members thereof) are faced in a particular year with significantly higher and more complex workloads than would be the norm. Board members have in the past been awarded an additional fixed fee on an exceptional basis in recognition of these circumstances. Such additional awards would fall to be within the aggregate amount approved by the Shareholders in general meeting in terms of Article 81(1) of the Articles of Association of the Company.

Non-Executive Directors are not entitled to any contractual pension, termination or retirement benefits. However, they may be reimbursed certain expenses incurred in the discharge of their responsibilities and receive a fixed 'use of car' allowance.

5. Remuneration – Directors and Group Chief Executive

The following tables provide a summary of the remuneration for the years ended 31 January 2023, 2022 and 2021 for each individual Director and for the Group Chief Executive.

			Board & Committee Fees	Other	Fixed Pay	Variable Pay	Benefits & Allowances		Aggregate
			€	€	€	€	€		€
Directors' Emoluments - Year ended 31 January 2023									
Louis A Farrugia	Executive Chairman		25,000		72,083	60,000	45,000	* *	202,083
Norman Aquilina	Group Chief Executive				165,555	133,000	11,000		309,555
Michael Farrugia	Deputy Chief Executive - Beverage Business	*	30,583		93,326	30,500	22,084	* *	176,493
Marcantonio Stagno d'Alcontres	Vice-Chairman – Non-Executive		28,500			10,000	12,500		51,000
Roderick Chalmers	Non-Executive		31,500	40,000			6,000		77,500
Max Ganado	Non-Executive		29,000			10,000		* *	39,000
Marina Hogg	Non-Executive		27,500			10,000	6,000		43,500
Marcus John Scicluna Marshall	Non-Executive	*	32,000			10,000	6,000		48,000
Justine Pergola	Non-Executive		23,633					* *	23,633

*includes subsidiary Board fees **Company car provided
(a) the above table includes the remuneration and related benefits awarded to members of the Board of Directors and of the Group Chief Executive (GCE). Board related emoluments included in the above table requiring Shareholder approval under Article 81 total €318,216 (approved limit = €750,000.)

			Board & Committee Fees	Other	Fixed Pay	Variable Pay	Benefits & Allowances		Aggregate
			€	€	€	€	€		€
Directors' Emoluments - Year ended 31 January 2022									
Louis A Farrugia	Executive Chairman		26,000		71,957	67,000	45,000	* *	209,957
Norman Aquilina	Group Chief Executive				160,520	133,000	11,000		304,520
Michael Farrugia	Executive – Operation & Business Development	*	31,000		85,575	29,500	20,000	* *	166,075
Marcantonio Stagno d'Alcontres	Vice-Chairman – Non-Executive		30,000			10,000	12,500		52,500
Roderick Chalmers	Non-Executive		31,000	40,000			6,000		77,000
Max Ganado	Non-Executive		31,000			10,000		* *	41,000
Christiane Ramsay Pergola	Non-Executive (deceased 25.11.2021)		18,750					* *	18,750
Marina Hogg	Non-Executive		28,000			10,000	6,000		44,000
Marcus John Scicluna Marshall	Non-Executive	*	35,000			10,000	6,000		51,000
Justine Pergola	Non-Executive (appointed 13.01.2022)		1,600					* *	1,600

*includes subsidiary Board fees **Company car provided
(a) the above table includes the remuneration and related benefits awarded to members of the Board of Directors and of the Group Chief Executive (GCE). Board related emoluments included in the above table requiring Shareholder approval under Article 81 total €322,850 (approved limit = €750,000.)

			Board & Committee Fees	Other	Fixed Pay	Variable Pay	Benefits & Allowances		Aggregate
			€	€	€	€	€		€
Directors' Emoluments - Year ended 31 January 2021									
Louis A Farrugia	Executive Chairman		26,000		71,865	56,000	45,000	* *	198,865
Norman Aquilina	Group Chief Executive				155,526	101,000	11,000	* *	267,526
Michael Farrugia	Executive – Operation & Business Development	*	31,000		83,098	11,500	20,000	* *	145,598
Marcantonio Stagno d'Alcontres	Vice-Chairman – Non-Executive		30,000				12,500		42,500
Roderick Chalmers	Non-Executive		31,000	24,000			6,000		61,000
Max Ganado	Non-Executive		31,000					* *	31,000
Christiane Ramsay Pergola	Non-Executive (deceased 25.11.2021)		25,000					* *	25,000
Marina Hogg	Non-Executive		28,000				6,000		34,000
Marcus John Scicluna Marshall	Non-Executive	*	35,000				6,000		41,000

*includes subsidiary Board fees **Company car provided
(a) the above table includes the remuneration and related benefits awarded to members of the Board of Directors and of the Group Chief Executive (GCE). Board related emoluments included in the above table requiring Shareholder approval under Article 81 total €311,500 (approved limit = €750,000). (b) During the year members of the Board and the GCE voluntarily waived the total sum of €28,443 due to them as part of the response to the business challenges arising from the COVID-19 pandemic. The amounts stated above are before deduction of these waived emoluments.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the annual change of remuneration over the two most recent financial years were as follows:

	FY2023 change over FY 2022	FY2022 change over FY 2021
Directors and Group Chief Executive	0 %	14 %
Average Employee Remuneration	10 %	10 %
Performance of the Company – EBITDA	22 %	37 %

6. Shareholder involvement

Pursuant to Article 81 of the Memorandum and Articles of Association of the Company, remuneration (emoluments) payable to Directors with regard to their membership of the Board of Directors is always subject to the maximum aggregate limit approved by the Shareholders in General Meeting. This amount was fixed at an aggregate sum of €750,000 per annum at the 69th Annual General Meeting held on 28 June 2016.

Whereas remuneration paid to Executive Directors by virtue of their executive office (as opposed to their membership of the Board) is not subject to the maximum aggregate limit stipulated under Article 81 as described above, with effect from FY 2022 and pursuant to the requirements of Capital Market Rules, the Remuneration Report of the Company shall form part of the Annual Report and shall provide full details of remuneration paid to all Directors. In accordance with Capital Market Rule 12.26L and 12.26M, the Remuneration Report will be subjected to an advisory vote by the Shareholders at each Annual General Meeting and shall be made available on the Company's website for a period of 10 years following the meeting.

7. Senior Management Remuneration

For the purposes of this Remuneration Report, "Senior Management" shall mean all members of the Group Senior Management Board as disclosed in this Annual Report. The Group's Human Resources department is responsible (apart from normal staff administration and training and upgrading of proficiency of technical and managerial personnel and workforce in general), for carrying out regular reviews of the compensation structure pertaining to senior management in the light of the Group's performance, economic situation and market trends. One of the main objectives is to recruit and retain executives of high professional standards and competence who can enhance the Group's performance and assure the best operational and administrative practices.

The Group's Human Resources manager reports and makes recommendations periodically to the Board and the Remuneration Committee on the remuneration packages, including bonus arrangements, for achieving pre–determined targets.

The Remuneration Committee is required to evaluate, recommend and report on any proposals made by the Group Human Resources manager relating to management remuneration and conditions of service. The Committee considers that the current executive management remuneration packages are based upon the appropriate local market equivalents and are fair and reasonable for the responsibilities involved. The Committee also believes that the remuneration packages are such as to enable the Company to attract, retain and motivate executives having the appropriate skills and qualities to ensure the proper management of the organisation.

The Committee is also charged with considering and determining any recommendations from management on requests for early retirement.

The terms and conditions of employment of senior executives are set out in their respective contracts of employment with the Company. As a general rule such contracts do not contain provisions for termination payments and/or other payments linked to early termination.

Senior management is eligible for an annual performance bonus which is linked to agreed performance targets and their achievement. The Remuneration Committee is of the view that the relationship between fixed and variable remuneration and performance bonus are reasonable and appropriate. There are no claw back provisions in respect of variable salary awards.

There are no executive profit sharing, share options or pension benefit arrangements in place. Non–cash benefits to which Senior Management are entitled comprise those normally available to senior executives including the provision of a suitable taxed and insured company car, standard executive health and life assurance cover, a mobile phone package and other incidental corporate benefits.
The total emoluments relating to the Group Senior Management Board members were as follows:

	Fixed Pay	Variable Pay	Benefits & Allowances	Aggregate
	€	€	€	€
Senior Management Remuneration – year to 31 January 2023				
Senior Management Remuneration	**834,327**	**308,077**	**110,515**	**1,252,919**
(a) The above table includes the remuneration and related benefits awarded to the members of the Group Senior Management Board (SMB).				
Senior Management Remuneration – year to 31 January 2022				
Senior Management Remuneration	721,094	285,720	105,727	1,112,541
(a) The above table includes the remuneration and related benefits awarded to the members of the Group Senior Management Board (SMB).				
Senior Management Remuneration – year to 31 January 2021				
Senior Management Remuneration	701,846	197,900	105,727	1,005,473
(a) The above table includes the remuneration and related benefits awarded to the members of the Group Senior Management Board (SMB).				

8. Contents of the Remuneration Report

The contents of the Remuneration Report have been reviewed by the external Auditors to ensure that it conforms with the requirements of Appendix 12.1 to Chapter 12 of the Capital Market Rules.

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2023	2022	**2023**	2022
	Notes	**€'000**	€'000	**€'000**	€'000
Non-current assets					
Property, plant and equipment	5	**130,192**	126,939	**120,334**	118,448
Right-of-use assets	6	**8,626**	8,254	**184**	185
Intangible assets	7	**2,323**	2,352	**1,660**	1,729
Investments in subsidiaries	8	**–**	–	**9,702**	9,702
Deferred tax assets	20	**8,938**	7,486	**9,754**	8,398
Trade and other receivables	10	**3,372**	696	**2,933**	696
Derivative financial instruments	17	**4**	–	**4**	–
Total non-current assets		**153,455**	145,727	**144,571**	139,158
Current assets					
Inventories	9	**23,856**	16,341	**12,267**	8,351
Trade and other receivables	10	**27,835**	23,139	**21,344**	22,282
Current tax assets		**–**	5	**–**	–
Derivative financial instruments	17	**39**	–	**39**	–
Cash and cash equivalents	11	**9,899**	15,720	**3,192**	3,057
Total current assets		**61,629**	55,205	**36,842**	33,690
Total assets		**215,084**	200,932	**181,413**	172,848

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2023	2022	**2023**	2022
	Notes	**€'000**	€'000	**€'000**	€'000
Capital and reserves attributable to owners of the Company					
Share capital	12	**10,800**	9,000	**10,800**	9,000
Revaluation and other reserves	14, 15	**49,409**	49,409	**46,137**	46,137
Hedging reserve	16	**27**	(100)	**27**	(100)
Retained earnings		**78,931**	70,879	**72,710**	66,564
Total equity		**139,167**	129,188	**129,674**	121,601
Non-current liabilities					
Trade and other payables	22	**4,586**	2,648	**4,586**	2,648
Lease liabilities	19	**7,205**	6,811	**171**	191
Derivative financial instruments	17	**-**	45	**-**	45
Borrowings	18	**22,563**	24,081	**22,563**	24,081
Provisions for other liabilities and charges	21	**-**	2	**-**	2
Total non-current liabilities		**34,354**	33,587	**27,320**	26,967
Current liabilities					
Trade and other payables	22	**36,392**	32,905	**22,845**	22,462
Lease liabilities	19	**1,498**	1,479	**15**	149
Current tax liabilities		**1,529**	1,751	**-**	–
Derivative financial instruments	17	**-**	110	**-**	110
Borrowings	18	**2,135**	1,903	**1,550**	1,550
Provisions for other liabilities and charges	21	**9**	9	**9**	9
Total current liabilities		**41,563**	38,157	**24,419**	24,280
Total liabilities		**75,917**	71,744	**51,739**	51,247
Total equity and liabilities		**215,084**	200,932	**181,413**	172,848

The notes on pages 79 to 109 are an integral part of these consolidated financial statements.

The financial statements on pages 72 to 109 were approved and authorised for issue by the Board of Directors on 18 May 2023. The financial statements were signed on behalf of the Company's Board of Directors by Louis A Farrugia (Chairman) and Marcantonio Stagno d'Alcontres (Vice-Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2023.

INCOME STATEMENTS

		Year ended 31 January			
		Group		Company	
		2023	2022	**2023**	2022
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	4	**118,238**	91,768	**62,319**	49,321
Cost of sales	23	**(74,029)**	(57,359)	**(32,242)**	(26,591)
Gross profit		**44,209**	34,409	**30,077**	22,730
Selling and distribution costs	23	**(13,277)**	(10,655)	**(8,878)**	(7,497)
Administrative expenses	23	**(14,315)**	(10,974)	**(8,517)**	(6,212)
Net impairment movement of financial assets	10	**66**	666	**331**	472
Operating profit		**16,683**	13,446	**13,013**	9,493
Finance income	26	**–**	–	**22**	35
Finance costs	27	**(1,367)**	(1,282)	**(894)**	(957)
Profit before tax		**15,316**	12,164	**12,141**	8,571
Tax income	28	**156**	264	**1,425**	1,500
Profit for the year		**15,472**	12,428	**13,566**	10,071
Basic and diluted earnings per share for the year attributable to shareholders	30	**€0.4298**	€0.3452		

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			
		Group		Company	
		2023	2022	**2023**	2022
	Note	**€'000**	€'000	**€'000**	€'000
Profit for the year		**15,472**	12,428	**13,566**	10,071
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	16	**127**	106	**127**	106
Other comprehensive income for the year		**127**	106	**127**	106
Total comprehensive income for the year attributable to equity shareholders		**15,599**	12,534	**13,693**	10,177

The notes on pages 79 to 109 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2021		9,000	(206)	49,409	61,451	119,654
Comprehensive income						
Profit for the year		–	–	–	12,428	12,428
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	106	–	–	106
Total other comprehensive income		–	106	–	–	106
Total comprehensive income		–	106	–	12,428	12,534
Transactions with owners						
Dividends paid	13	–	–	–	(3,000)	(3,000)
Total transactions with owners		–	–	–	(3,000)	(3,000)
Balance at 31 January 2022		**9,000**	**(100)**	**49,409**	**70,879**	**129,188**
Balance at 1 February 2022		9,000	(100)	49,409	70,879	129,188
Comprehensive income						
Profit for the year		–	–	–	15,472	15,472
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	127	–	–	127
Total other comprehensive income		–	127	–	–	127
Total comprehensive income		–	127	–	15,472	15,599
Transactions with owners						
Bonus issue	12	1,800	–	–	(1,800)	–
Dividends paid	13	–	–	–	(5,620)	(5,620)
Total transactions with owners		1,800	–	–	(7,420)	(5,620)
Balance at 31 January 2023		**10,800**	**27**	**49,409**	**78,931**	**139,167**

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2021		9,000	(206)	46,137	59,493	114,424
Comprehensive income						
Profit for the year		–	–	–	10,071	10,071
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	106	–	–	106
Total other comprehensive income		–	106	–	–	106
Total comprehensive income		–	106	–	10,071	10,177
Transactions with owners						
Dividends paid	13	–	–	–	(3,000)	(3,000)
Total transactions with owners		–	–	–	(3,000)	(3,000)
Balance at 31 January 2022		**9,000**	**(100)**	**46,137**	**66,564**	**121,601**
Balance at 1 February 2022		9,000	(100)	46,137	66,564	121,601
Comprehensive income						
Profit for the year		–	–	–	13,566	13,566
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	127	–	–	127
Total other comprehensive income		–	127	–	–	127
Total comprehensive income		–	127	–	13,566	13,693
Transactions with owners						
Bonus issue	12	1,800	–	–	(1,800)	–
Dividends paid	13	–	–	–	(5,620)	(5,620)
Total transactions with owners		1,800	–	–	(7,420)	(5,620)
Balance at 31 January 2023		**10,800**	**27**	**46,137**	**72,710**	**129,674**

The notes on pages 79 to 109 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2023	2022	**2023**	2022
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	31	**16,708**	27,534	**16,613**	26,613
Interest received		**–**	–	**22**	35
Interest paid on lease liabilities		**(360)**	(269)	**(7)**	(11)
Interest paid on borrowings		**(1,000)**	(1,013)	**(887)**	(946)
Income tax (paid)/received		**(1,584)**	(369)	**–**	–
Net cash generated from operating activities		**13,764**	25,883	**15,741**	25,691
Cash flows from investing activities					
Purchase of property, plant and equipment	5	**(10,920)**	(12,678)	**(8,286)**	(11,026)
Proceeds from disposal of property, plant and equipment		**22**	75	**22**	61
Additions to investments in subsidiaries		**–**	–	**–**	(500)
Additions to intangibles		**(77)**	(557)	**–**	(500)
Net cash used in investing activities		**(10,975)**	(13,160)	**(8,264)**	(11,965)
Cash flows from financing activities					
Payments of borrowings		**(1,568)**	(10,183)	**(1,568)**	(10,183)
Principal payments of lease liabilities		**(1,654)**	(1,321)	**(154)**	(150)
Dividends paid	13	**(5,620)**	(3,000)	**(5,620)**	(3,000)
Net cash used in financing activities		**(8,842)**	(14,504)	**(7,342)**	(13,333)
Net movement in cash and cash equivalents		**(6,053)**	(1,781)	**135**	393
Cash and cash equivalents at beginning of year		**15,367**	17,148	**3,057**	2,664
Cash and cash equivalents at end of year	11	**9,314**	15,367	**3,192**	3,057

The notes on pages 79 to 109 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These consolidated financial statements include the financial statements of Simonds Farsons Cisk plc and its subsidiaries. SFC is a public Company incorporated in Malta with its registered address at The Brewery, Mdina Road, Zone 2, Central Business District, CBD 2010, Birkirkara, Malta.

The Group is engaged in 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 the year ended 31 January 2023 there were no change in the name of reporting entity or other means of identification.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of certain class of property, plant and equipment and derivative financial instruments which are measured at revalued amount or fair value. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies (Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Group and Company adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 February 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group and Company's accounting policies impacting the financial performance and position.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 February 2022. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1.2 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to or holds rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the subsidiaries is set out in Note 37 to the financial statements.

1.3 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro which is the Company's functional currency and the Group's presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains and losses are presented in the income statements within 'cost of sales' and 'administrative expenses'.

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis, but at least every five years, unless the Directors consider it appropriate to have an earlier revaluation, such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Freehold land and assets in the course of construction are not depreciated. Leased properties are depreciated over the period of the lease. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

• Buildings	0.67% – 2.00%
• Plant, machinery and equipment	5.00% – 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.5 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business concern at the date of acquisition. Goodwill on acquisitions of subsidiaries/business concerns is included in intangible assets. Goodwill is recognised separately within intangible assets and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

Franchises and intellectual knowhow are initially shown at historical cost. The useful life of the franchises and intellectual knowhow are periodically assessed and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchises and intellectual knowhow over their estimated useful lives (5 to 25 years).

1.6 Impairment of non–financial assets

Assets (including goodwill) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, that is, at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the Company's investment in that subsidiary. These are accounted for in accordance with the requirements of IAS 27. Loans to subsidiaries for which settlement is planned are classified as loans and/or receivables in accordance with the requirements of IFRS 9.

1.8 Financial assets

Classification

The Group classifies its financial assets as financial assets measured at amortised costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group classifies its financial assets at amortised cost only if both the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin as is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented within operating profit in the consolidated statement of profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's financial assets are subject to the expected credit loss model.

Expected credit loss model

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at twelve month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. twelve month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Simplified approach model

For trade receivables, the Group applies the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of up to 60 months before the reported period end, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories of raw materials are determined using the first-in first-out method and those of spare parts on a weighted average basis. The cost of raw materials comprises the cost of direct materials and includes transport and handling charges. The cost of finished goods comprises raw materials, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. In the case of bottles, cases and kegs, the net realisable value is arrived at after providing for an annual charge calculated to write down the costs over their estimated useful lives.

1.10 Trade and other receivables

Trade receivables comprise amounts due from clients and customers for goods and services delivered and performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.11 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statements except to the extent that it relates to items recognised directly in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Under this method the Group is required to make a provision for deferred taxes on the revaluation of certain non-current assets and derivative contracts. Such deferred tax is charged or credited directly to the revaluation reserve and hedging reserve. Deferred tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property is realised through the income statements.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the unutilised tax credits, tax losses and unabsorbed capital allowances can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statements of financial position at face value. In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

1.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.14 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.15 Provisions

Provisions (including restructuring costs) are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Restructuring provisions principally comprise termination benefits.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

1.16 Employee benefits

a. Contributions to defined contribution pension plan

The Group contributes towards the State defined contribution pension plan in accordance with local legislation in exchange for services rendered by employees and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

b. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due after more than twelve months after the end of the reporting period are discounted to present value.

1.17 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.18 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.20 Revenue recognition

Revenues include all revenues from the ordinary business activities of the Group. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The Group's business includes 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, as well as independent food and beverage retail outlets and a visitors' centre.

a. Sale of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if the Group's recorded revenue for fulfilment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist. The Group classifies a contract asset as accrued income.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the Group fulfilled a contractual performance obligation and thus recognised revenue. The Group classifies the contract liabilities as advanced deposits or deferred income.

IFRS 15 provides more detailed guidance on how to account for contract modifications. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of previously recorded revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation.

Sales of goods – wholesale

The Group brews, produces and imports a wide range of branded beers and food and beverages including wines and spirits to the wholesale market.

Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's products are sometimes sold with retrospective volume discounts based on aggregate sales over a twelve month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of less than one year, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Branded beers, beverages and food products are often sold with a right of return. Right to the returned goods are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Sales of goods – retail

The Group operates a dedicated retail outlet showcasing its wide range of manufactured and imported branded beers and beverages including wines and spirits. It also operates a number of franchised food retailing establishments. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability and a right to the returned goods are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Financing

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

b. Property related income

Rentals and short-term lets receivable on immovable property are recognised in the period when the property is occupied.

c. Finance income

Finance income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income.

d. Dividend income

Dividend income is recognised when the right to receive payment is established.

1.21 Leases

The Group and Company are the lessee

The Group leases various offices, warehouses and catering outlets. The Company leases warehouses. Rental lease and ground rent contracts are typically made for fixed periods of 4 years to 150 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may or may not be used as security for borrowing purposes.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group and the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

a. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
b. variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group and Company:

a. where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
b. uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and Company, where there is no third-party financing; and
c. makes adjustments specific to the lease.

The Group and Company are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right–of–use assets are measured at cost comprising the following:

a. the amount of the initial measurement of lease liability;
b. any lease payments made at or before the commencement date less any lease incentives received; and
c. any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

Variable lease payments

Some Group property leases contain variable payment terms that are linked to sales generated from the outlet. For individual outlets, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 6.5% to 8.5% of sales. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. A 10% increase in sales across all outlets in the Group with such variable lease contracts would increase total lease payments by approximately €100,000 (2022: €101,000).

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

a. if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
b. if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
c. otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 January 2023, potential future cash outflows of €9,186,000 (2022: €3,885,000) (undiscounted) on Group leases have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

1.22 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the Group's interest-bearing borrowings.

1.23 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the end of the period, adjusted for Bonus shares issued during the year.

1.24 Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision maker.

1.25 Derivative financial instruments

Derivative financial instruments, including interest rate swap agreements and forward foreign exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group has elected to continue applying the IAS 39 hedge accounting rules. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. The fair value of interest rate swaps is mainly based on the present value of the estimated future cash flows.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

On the date a derivative contract is entered into, the Group designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. In accordance with the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are recycled in the income statements in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statements. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statements.

1.26 Institutional grants

Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same reporting periods in which the expenses are incurred. This compensation is disclosed in the same reporting line as the related expense.

Institutional grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset to match the depreciation charge. Capital grants are recorded as deferred income and released to the income statement over the estimated useful life of the related assets.

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. From time to time, the Group enters into foreign exchange contracts and interest rate swap agreements to hedge certain risk exposures during the current and preceding financial years. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors.

a. Market risk

i. Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective Group entity's functional currency. The Group is exposed to foreign exchange risk arising primarily from the Group's purchases, a part of which are denominated in the US dollar and the GB pound.

Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are settled within very short periods in accordance with the negotiated credit terms. Periodically, the Group enters into forward contracts on specific transactions to manage its exposure to fluctuations in foreign currency exchange rates. The Group's and Company's loans and receivables, cash and cash equivalents and borrowings are denominated in euro.

Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of reporting year is not deemed necessary.

ii. Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk which arises from borrowings; borrowings issued at variable rates, comprising bank borrowings (Note 18), expose the Group to cash flow interest rate risk. The Group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Borrowings issued at fixed rates, consist primarily of unsecured bonds which are carried at amortised cost (Note 18), and therefore do not expose the Group to cash flow and fair value interest rate risk.

The Group entered into interest-rate swap agreements, with respect to loans which have significant exposure to cash flow interest rate risk which arise in respect of interest payments relating to borrowings amounting to €4,262,500 (2022: €5,813,000) that are subject to interest at floating rates linked to Euribor (Note 17). These swap agreements provide a cash flow hedging relationship in respect of variability of future floating interest payments. These agreements cover interest payments on the total amount of these borrowings. Accordingly, this hedging instrument has been designated as cash flow hedge on the interest rate risk, that is, volatility in floating interest amounts. Up to the reporting date, the Group did not have any hedging arrangements with respect to the exposure of interest rate risk on other interest-bearing liabilities.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

b. Credit risk

Credit risk principally arises from cash and cash equivalents comprising deposits with financial institutions, and other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Group's and the Company's principal exposures to credit risk as at the end of the reporting period are analysed as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Financial assets measured at amortised cost				
Trade and other receivables	**26,619**	20,747	**23,025**	21,376
Cash at bank and in hand (Note 11)	**9,899**	15,720	**3,192**	3,057
	38,518	36,467	**26,217**	24,433

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and accrued income and indirect taxation.

Security

For trade and other receivables amounting to €2,400,000 (2022: €2,200,000), the Group may obtain security in the form of guarantees and deeds of undertaking or letters of credit which can be called on if the counterparty is in default under the terms of the agreement.

Trade and other receivables

The Group assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of goods and services are transacted with customers with an appropriate credit history. Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group's standard payment and product delivery terms and conditions are offered. The creditworthiness analysis for new customers includes a review through external creditworthiness databases when available. The Group monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Group's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. Whilst no individual customer or group of dependent clients is considered by management as a significant concentration of credit risk with respect to contractual debts, these material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective Group entities and are deemed by management to have good credit standing, usually taking cognisance of the performance history without defaults.

The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from clients are within controlled parameters. The Group's trade and other receivables, which are not credit impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any significant losses from non-performance by these customers.

Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance for the Group as at 31 January was determined by applying:

- An expected loss rate ranging from 0.30% to 0.60% (2022: ranging from 0.09% to 1.80%) on all credit sales generated in the preceding twenty-four months prior to 31 January resulting in a loss allowance of €1,062,000 (2022: €746,000) for the Group and €723,000 (2022: €463,000) for the Company.
- An expected loss rate of 100% on all outstanding dues generated before the preceding twenty-four months prior to 31 January (i.e. all trade receivables exceeding two years) resulting in a loss allowance of €1,782,000 (2022: €2,170,000) for the Group and €1,096,000 (2022: €1,475,000) for the Company.

Impairment of other receivables

The Group applies the general model to measuring expected credit losses for all trade loan dues.

To measure the expected credit losses, trade loans have been grouped based on shared credit risk characteristics and the days past due. The Group assesses the credit quality of these loans taking into account financial position, repayment patterns, past experience and other factors including history of default from the credit terms issued. Trade loans are categorised into stages for IFRS 9 purposes based on the factors highlighted above.

On that basis, the loss allowance for the Group and the Company as at 31 January was determined by applying:

- An expected loss rate averaging at 3.7% (2022: 2.3%) on all trade loans granted within contract terms classified under stages 1 and 2 resulting in a loss allowance of €215,000 (2022: €1,386,000).
- An expected loss rate of 100% on all outstanding dues on trade loans that exceeded the credit terms granted by the Group and Company and hence classified under stage 3 resulting in a loss allowance of €879,000 (2022: €676,000).

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The closing loss allowances for trade and other receivables as at 31 January reconcile to the opening loss allowances as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
	Expected loss model	Expected loss model	**Expected loss model**	Expected loss model
Trade receivables				
Balance at 1 February	**2,916**	3,966	**1,938**	2,295
Movement in loss allowance recognised in profit or loss during the year	**(72)**	(463)	**(119)**	(269)
Receivables written-off	**-**	(587)	**-**	(88)
Balance at 31 January	**2,844**	2,916	**1,819**	1,938
Other receivables				
Balance at 1 February	**2,062**	2,300	**2,062**	2,300
Movement in loss allowance recognised in profit or loss during the year	**6**	(203)	**(212)**	(203)
Receivables written-off	**-**	(35)	**-**	(35)
Balance at 31 January	**2,068**	2,062	**1,850**	2,062
Total loss allowance as at year end	**4,912**	4,978	**3,669**	4,000

The Group established an allowance for impairment that represented its estimate of expected credit losses in respect of trade and other receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to honour a repayment plan with the Group, and a failure to make contractual payments for a period of greater than thirty six months past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

As at 31 January 2023, outstanding Group trade receivables of less than two years amounting to €25,202,000 (2022: €17,670,000) have an allocated loss allowance of €1,062,000 (2022: €746,000). Outstanding Group trade receivables of more than two years amounting to €1,782,000 (2022: €2,170,000) were fully provided.

As at 31 January 2023, outstanding Company trade receivables of less than two years amounting to €14,755,000 (2022: €10,000,000) have an allocated loss allowance of €723,000 (2022: €463,000). Outstanding Company trade receivables of more than two years amounting to €1,096,000 (2022: €1,475,000) were fully provided.

As at 31 January 2023, outstanding trade loan receivables not overdue amounting to €2,902,000 (2022: €3,500,000) have an allocated loss allowance of €215,000 (2022: €1,385,000). Outstanding trade loan receivables overdue amounting to €879,000 (2022: €676,000) were fully provided.

Cash and cash equivalents

The Group and the Company principally banks with local and European financial institutions with high-quality standing or rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Amounts due from subsidiaries

The Company's receivables include receivables from subsidiaries. The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Since amounts due from subsidiaries are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

Derivative financial instruments

Credit risk arising from derivative financial instruments lies in the insolvency of the contracting party and as a consequence, in the amount of the sum, on balance, of positive market values vis-à-vis the respective derivative counterparties. Derivative transactions are concluded with first rate local banking institutions.

c. Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade and other payables (Notes 18 and 22). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that adequate financing facilities are in place for the coming year. The carrying amounts of the Group's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€'000	€'000	€'000	€'000	€'000
GROUP					
31 January 2023					
Borrowings	**24,698**	**29,296**	**2,978**	**5,618**	**20,700**
Lease liabilities	**8,703**	**10,854**	**1,802**	**4,798**	**4,254**
Trade and other payables	**40,978**	**40,978**	**36,392**	**4,586**	**–**
	74,379	**81,128**	**41,172**	**15,002**	**24,954**
31 January 2022					
Borrowings	25,984	30,816	2,806	7,310	20,700
Lease liabilities	8,290	10,453	1,618	5,972	2,863
Trade and other payables	35,553	35,553	32,905	2,648	–
	69,827	76,822	37,329	15,930	23,563

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€'000	€'000	€'000	€'000	€'000
COMPANY					
31 January 2023					
Borrowings	**24,113**	**28,711**	**2,393**	**5,618**	**20,700**
Lease liabilities	**186**	**784**	**7**	**30**	**747**
Trade and other payables	**27,431**	**27,431**	**22,845**	**4,586**	**–**
	51,730	**56,926**	**25,245**	**10,234**	**21,447**
31 January 2022					
Borrowings	25,631	30,463	2,453	7,310	20,700
Lease liabilities	340	792	7	30	755
Trade and other payables	25,110	25,110	22,462	2,648	–
	51,081	56,365	24,922	9,988	21,455

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings (including lease liabilities) divided by total capital. The Group and Company consider total capital to be equity and total net borrowings.

Total borrowings include unsecured bonds issued by the Company. The gearing ratios at 31 January 2023 and 2022 were as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Total borrowings (Notes 18 and 19)	**33,401**	34,274	**24,299**	25,971
Less cash at bank and in hand (Note 11)	**(9,899)**	(15,720)	**(3,192)**	(3,057)
	23,502	18,554	**21,107**	22,914
Total equity	**139,167**	129,188	**129,674**	121,601
Total equity and net borrowings	**162,669**	147,742	**150,781**	144,515
Gearing	**14.45%**	12.56%	**14.00%**	15.86%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2023 and 2022 the carrying amounts of cash at bank, trade and other receivables, trade and other payables and current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of amounts owed by subsidiaries which are current or repayable on demand is equivalent to their carrying amount.

The fair value of the bonds is based on the market price at the reporting date (Note 18). These are classified as level 1 and the fair value at 31 January 2023 amounted to €20,300,000 (2022: €20,600,000). The fair value of the Group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Company Directors, the accounting estimates and judgements made in the course of preparing these financial statements, except as disclosed in Notes 5, 17 and 20 and accounting policy 1.21 are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the Group's business mainly from a productive and commercial perspective as geographically operations are carried out, predominantly, on the local market.

The Group does not have any particular major customer, as it largely derives revenue from a significant number of consumers availing of its products and services. Accordingly, the Group has not identified any relevant disclosures in respect of reliance on major customers.

The Group's productive and commercial operations are segregated primarily into 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, as well as independent food and beverage retail outlets and a visitors' centre.

The Board of Directors assesses the performance of the operating segments based on operating results adjusted for centralised costs. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Since the Board of Directors reviews adjusted operating results, the results of discontinued operations are not included in the measure of adjusted operating results.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statements.

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Segment assets consist primarily of land and buildings, plant, machinery and equipment, intangible assets, inventories, loans, trade and other receivables and cash and cash equivalents. Taxation and leases are not considered to be segment assets but rather is managed by the treasury function.

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. Segment liabilities comprise trade and other payables and exclude tax, leases and borrowings. The Group's interest-bearing liabilities and taxation are not considered to be segment liabilities but rather are managed by the treasury function.

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Group
	€'000	€'000	€'000	**€'000**
2023				
Revenue	65,598	42,232	21,756	**129,586**
Less: inter-segmental sales	(2,514)	(8,834)	–	**(11,348)**
	63,084	33,398	21,756	**118,238**
Segment results	13,153	2,813	717	**16,683**
Net finance costs				**(1,367)**
Profit before tax				**15,316**
Tax income				**156**
Profit for the year				**15,472**
Segment assets	151,955	31,921	11,122	**194,998**
Unallocated assets				**20,086**
Total assets				**215,084**
Segment liabilities	27,780	6,753	5,294	**39,827**
Unallocated liabilities				**36,090**
Total liabilities				**75,917**

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Group
	€'000	€'000	€'000	**€'000**
2022				
Revenue	51,252	31,850	15,745	**98,847**
Less: inter-segmental sales	(1,726)	(5,353)	–	**(7,079)**
	49,526	26,497	15,745	**91,768**
Segment results	9,927	1,943	1,576	**13,446**
Net finance costs				**(1,282)**
Profit before tax				**12,164**
Tax income				**264**
Profit for the year				**12,428**
Segment assets	150,309	23,952	10,926	**185,187**
Unallocated assets				**15,745**
Total assets				**200,932**
Segment liabilities	25,796	5,103	4,821	**35,720**
Unallocated liabilities				**36,024**
Total liabilities				**71,744**

The Group's revenue reflected in the table above consists predominantly of revenue from the transfer of goods and services at a point in time.

5. Property, plant and equipment

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
At 1 February 2021				
Cost or valuation	93,120	9,377	139,327	241,824
Accumulated depreciation and impairment	(13,157)	–	(106,723)	(119,880)
Net book value	**79,963**	**9,377**	**32,604**	**121,944**
Year ended 31 January 2022				
Opening net book value	**79,963**	**9,377**	**32,604**	**121,944**
Additions and commissioned assets	1,230	7,406	4,042	12,678
Disposals	–	–	(309)	(309)
Depreciation	(1,434)	–	(6,205)	(7,639)
Depreciation released on disposals	–	–	265	265
Closing net book value	**79,759**	**16,783**	**30,397**	**126,939**
At 1 February 2022				
Cost or valuation	94,350	16,783	143,060	254,193
Accumulated depreciation and impairment	(14,591)	–	(112,663)	(127,254)
Net book value	**79,759**	**16,783**	**30,397**	**126,939**
Year ended 31 January 2023				
Opening net book value	**79,759**	**16,783**	**30,397**	**126,939**
Additions and commissioned assets	16,413	(16,246)	10,740	10,907
Disposals	(239)	-	(469)	(708)
Depreciation	(1,480)	-	(6,165)	(7,645)
Depreciation released on disposals	239	-	460	699
Closing net book value	**94,692**	**537**	**34,963**	**130,192**
At 31 January 2023				
Cost or valuation	110,524	537	153,331	264,392
Accumulated depreciation and impairment	(15,831)	-	(118,368)	(134,200)
Net book value	**94,692**	**537**	**34,963**	**130,192**

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
COMPANY				
At 1 February 2021				
Cost or valuation	86,079	8,845	129,932	224,856
Accumulated depreciation and impairment	(11,323)	–	(99,670)	(110,993)
Net book value	**74,756**	**8,845**	**30,262**	**113,863**
Year ended 31 January 2022				
Opening net book value	**74,756**	**8,845**	**30,262**	**113,863**
Additions and commissioned assets	286	7,774	2,966	11,026
Disposals	–	–	(251)	(251)
Depreciation	(1,199)	–	(5,198)	(6,397)
Depreciation released on disposals	–	–	207	207
Closing net book value	**73,843**	**16,619**	**27,986**	**118,448**
At 1 February 2022				
Cost or valuation	86,365	16,619	132,647	235,631
Accumulated depreciation and impairment	(12,522)	–	(104,661)	(117,183)
Net book value	**73,843**	**16,619**	**27,986**	**118,448**
Year ended 31 January 2023				
Opening net book value	**73,843**	**16,619**	**27,986**	**118,448**
Additions and commissioned assets	15,852	(16,193)	8,627	8,286
Disposals	–	–	(57)	(57)
Depreciation	(1,232)	–	(5,160)	(6,392)
Depreciation released on disposals	–	–	49	49
Closing net book value	**88,463**	**426**	**31,445**	**120,334**
At 31 January 2023				
Cost or valuation	102,217	426	141,217	243,860
Accumulated depreciation and impairment	(13,754)	–	(109,772)	(123,526)
Net book value	**88,463**	**426**	**31,445**	**120,334**

Assets in course of construction during year ended 31 January 2022 mainly relate to works on the old brewhouse project and other minor manufacturing related projects while for the year ended 31 January 2023 mainly relate to finishes and other minor manufacturing related projects.

Bank borrowings are secured by the Group's and Company's property, plant and equipment (Note 18).

Fair value of property

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (level 1, 2 or 3). The different levels of the fair value hierarchy have been defined in Note 2 to the financial statements.

As at 31 January 2023, the Group's land and buildings within property, plant and equipment, comprise properties including the Company's brewery and related operational and warehousing facilities, commercial property and property earmarked to compliment the Group's operational activity.

The property valuations as at 31 January 2023 are based on the Directors' value assessment performed using a variety of methods, including the adjusted sales comparison approach, the discounted projected cash flows approach, and capitalised rentals approach. Each property was valued by taking into consideration the external valuations prepared by independent chartered architectural firms as at 31 January 2017 and using the method considered by the external valuers to be the most appropriate valuation method for that type of property. The Directors are of the opinion that the carrying amount of property, plant and equipment as at 31 January 2023, does not differ materially from that which would be determined using fair values that take account of the above considerations.

All the recurring property fair value measurements at 31 January 2023 use significant unobservable inputs and are accordingly categorised within level 3 of the fair valuation hierarchy. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 January 2023.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within level 3 of the value hierarchy, is reflected in the table above. The only movements in land and buildings classified as property, plant and equipment reflect additions, disposals and depreciation charge for the year.

Valuation processes

The valuations of the properties are performed regularly on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Group which is derived from the Group's financial systems and is subject to the Group's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Financial Officer (CFO). This includes a review of fair value movements over the period (if any). When the CFO considers that the valuation report is appropriate, the valuation report is recommended to the Board of Directors. The Board of Directors considers the valuation report as part of its overall responsibilities.

Valuation techniques

The external valuations of the level 3 property have been performed using a variety of methods, including an adjusted sales comparison approach, capitalised rentals and the discounted cash flow approach. Each property was valued using the method considered by the external valuers to be the most appropriate valuation method for that type of property; the method, together with the fair value measurements, was approved by the Board of Directors as described above.

In view of the limited number of sales of similar properties in the local market, the valuations have been performed using unobservable inputs. The significant input to the sales comparison approach is generally a sales price per cubic metre related to transactions in comparable properties located in proximity to the Group's property, with significant adjustments for differences in the size, age, exact location and condition of the property.

In the case of the capitalised rentals approach, the significant unobservable inputs include a rental rate per square metre (also in respect of comparable properties as described in the case of the sales comparison approach) and a capitalisation rate of 7% (2022: 5% - 6.6%).

The value of properties used as business, manufacturing and operational premises by the Group including factories and warehouses, currently classified under property, plant and equipment is based on a value-in-use assessment using capitalisation of cash flows. The valuers applied a capitalisation rate to an assessed maintainable level of free cash flows based on the average earnings over the past five years. Following this assessment, no changes to the current value attributable to this Group of properties was deemed necessary.

Information about fair value measurements using significant unobservable inputs (level 3)

Description by class	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2023				
Current use as manufacturing or related premises	**89,922**	Discounted cash flow approach	Discount rate	9%
Current use as commercial premises	**1,570**	Discounted cash flow approach	Rental rate per square metre	150 – 400
Developable land for mixed use/commercial use	**3,200**	Sales comparison approach	Sales price per cubic metre	175 – 250
As at 31 January 2022				
Current use as manufacturing or related premises	**74,989**	Discounted cash flow approach	Discount rate	8%
Current use as commercial premises	**1,570**	Discounted cash flow approach	Rental rate per square metre	150 – 400
Developable land for mixed use/commercial use	**3,200**	Sales comparison approach	Sales price per cubic metre	175 – 250

In the case of the sales comparison approach and the capitalised rentals approach, the higher the sales price per square metre or the rental rate per square metre, the higher the resultant fair valuation. Conversely, the lower the required development cost per square metre or the rental capitalisation rate, the higher the resultant fair valuation.

In respect of the discounted cashflow approach, the higher the annualised net cash inflows, and growth rate, the higher the fair value. Conversely, the lower the discount rate, the estimated development costs, and capitalisation rate used in calculating the annualised net cash inflows, the higher the fair value.

The highest and best use of properties which are developable land for mixed use/commercial use differs from their current use. These assets mainly comprise properties which are currently partly used by the Group or which are currently vacant, and which would require development or refurbishment in order to access the maximum potential cash flows that may be generated from the properties' highest and best use.

As at 31 January 2023, the carrying amount of land and buildings would have been €58,428,000 (2022: €40,996,000) had these assets been included in the financial statements at historical cost less depreciation.

The charge for depreciation and impairment charges as disclosed in Note 23 are included in the income statements as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Cost of sales	**5,083**	4,922	**4,198**	4,042
Selling and distribution costs	**1,341**	1,566	**1,161**	1,386
Administration expenses	**1,221**	1,151	**1,033**	969
	7,645	7,639	**6,392**	6,397

6. Right–of–use assets

The statement of financial position reflects the following assets relating to leases:

	Group	
	As at 31 January 2023	As at 31 January 2022
	€'000	€'000
Land & Buildings		
Opening net book value	**8,254**	5,526
Additions	**2,081**	4,143
Depreciation charge	**(1,709)**	(1,415)
Closing net book value	**8,626**	8,254

	Company	
	As at 31 January 2023	As at 31 January 2022
	€'000	€'000
Land & Buildings		
Opening net book value	**185**	187
Depreciation charge	**(1)**	(2)
Closing net book value	**184**	185

7. Intangible assets

	Goodwill	Franchises & intellectual knowhow	Total
	€'000	€'000	€'000
GROUP			
At 1 February 2021			
Cost	1,058	5,140	6,198
Accumulated amortisation and impairment	(775)	(4,819)	(5,594)
Net book amount	**283**	**321**	**604**
Year ended 31 January 2022			
Opening net book amount	**283**	**321**	**604**
Additions	–	1,798	1,798
Amortisation	–	(50)	(50)
Closing net book amount	**283**	**2,069**	**2,352**
At 1 February 2022			
Cost	1,058	6,938	7,996
Accumulated amortisation and impairment	(775)	(4,869)	(5,644)
Net book amount	**283**	**2,069**	**2,352**
Year ended 31 January 2023			
Opening net book amount	**283**	**2,069**	**2,352**
Additions	–	77	77
Amortisation	–	(106)	(106)
Closing net book amount	**283**	**2,040**	**2,323**
At 31 January 2023			
Cost	1,058	7,015	8,073
Accumulated amortisation and impairment	(775)	(4,975)	(5,750)
Net book amount	**283**	**2,040**	**2,323**

Closing net book value of the Company's Franchises and intellectual knowhow as at 31 January 2023 amounted to €1,660,000 (2022: €1,729,000) represented by cost of €1,741,000 less amortisation of €82,000 (2022: €11,000).

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Amortisation is included in cost of sales within the income statements.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to business segment. A segment-level summary of the goodwill allocation is presented below:

	2023	2022
	€'000	€'000
Brewing, production and sale of branded beers & beverages	**192**	192
Importation, wholesale and retail of food & beverages	**91**	91
Net book amount	**283**	283

The recoverable amount of a cash-generating unit is determined based on value in use calculations and is assessed annually. As at 31 January 2023, the Directors reviewed the goodwill, and based on the current period's results and plans for the foreseeable future, they are confident that the recoverable amount of goodwill is not materially different from the carrying amount.

The carrying amount of goodwill is not deemed material to SFC as a reporting entity in terms of the requirements of IAS 38 'Intangible assets'. Therefore, the disclosure of the summarised financial information and other matters in accordance with the requirements of IAS 38 is not deemed necessary.

8. Investments in subsidiaries

	Company	
	2023	2022
	€'000	€'000
Year ended 31 January		
Opening net book amount	**9,702**	9,202
Additions	**–**	500
Closing net book amount	**9,702**	9,702
At 31 January		
Cost	**13,783**	13,783
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**9,702**	9,702

The principal subsidiaries at 31 January 2023 all of which are unlisted, are disclosed in Note 37 to these financial statements.

9. Inventories

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**5,911**	2,936	**5,321**	2,607
Finished goods and goods for resale	**13,875**	9,839	**3,284**	2,558
Containers and other stocks	**4,070**	3,566	**3,662**	3,186
	23,856	16,341	**12,267**	8,351

The amount of inventory write-downs recognised in the income statements categories is as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Cost of sales	**489**	436	**274**	264
Selling, distribution and administrative expenses	**45**	173	**45**	173
	534	609	**319**	437

10. Trade and other receivables

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**3,372**	696	**2,933**	696
Current				
Trade receivables	**21,670**	15,155	**12,634**	8,410
Amounts due from subsidiaries	**–**	–	**4,614**	8,454
Indirect taxation	**131**	100	**–**	–
Other receivables and advanced deposits	**3,577**	7,055	**2,844**	4,698
Prepayments and accrued income	**2,457**	829	**1,252**	720
	27,835	23,139	**21,344**	22,282
Total trade and other receivables	**31,207**	23,835	**24,277**	22,978

Trade and other receivables are stated net of impairment provision as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Impairment provision				
Trade and other receivables	**4,912**	4,978	**3,669**	4,000

No write-offs were done in the year ended 31 January 2023. Bad debts written off against provision in the Group amounted to €623,000 in the year ended 31 January 2022 (Company €123,000).

Included in other receivables are advanced deposits on non-current assets not yet commissioned as at year end amounting to €184,000 (2022: €1,426,000).

Amounts due to the Company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €724,000 (2022: €665,000) which are subject to an average interest rate of 3.5% (2022: 3.5%). Other balances within amounts due from subsidiaries are interest free.

The Group's and Company's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in Note 2. The other classes within receivables do not contain impaired assets.

11. Cash and cash equivalents

For the purposes of the statements of cash flows, the cash and cash equivalents at the end of the reporting period comprise the following:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**9,899**	15,720	**3,192**	3,057
Bank overdrafts (Note 18)	**(585)**	(353)	**–**	–
	9,314	15,367	**3,192**	3,057

12. Share capital

	Company	
	2023	2022
	€'000	€'000
Authorised:		
60,000,000 ordinary shares of €0.30 each (2022: 30,000,000)	**18,000**	9,000
21,000,000 preference shares of €1.00 each	**21,000**	21,000
	39,000	30,000
Issued and fully paid:		
36,000,000 ordinary shares of €0.30 each (2022: 30,000,000)	**10,800**	9,000

On 19 July 2022, the Company declared an increase in the authorised share capital of the Company. Members appearing on the Register as at close of trading on the Malta Stock Exchange on 3 June 2022, were allotted one bonus share for every five shares held, on Friday 29 July 2022. The bonus share issue was funded by a capitalisation of €1,800,000 from the Company's retained tax-exempt profits.

13. Dividends paid

	Company	
	2023	2022
	€'000	€'000
Interim dividend	**1,620**	3,000
Final dividend	**4,000**	–
Dividends paid in cash	**5,620**	3,000
Dividend per share (Euro cents)	**17c8**	10c

During the financial year ended 31 January 2022 a first net interim dividend of €1,500,000 (€0.05 per share) was paid on 20 October 2021. A second net interim dividend of €1,500,000 (€0.05 per share) was paid on 21 December 2021. A final net dividend of €4,000,000 (€0.1333 per share) in respect of financial year ended 31 January 2022 was paid on 24 June 2022. Both final and interim dividends were paid out of tax-exempt profits.

During the financial year ended 31 January 2023 a first net interim dividend of €1,620,000 (€0.045 per share) was paid on 19 October 2022. Interim dividends were paid out of tax-exempt profits.

At the forthcoming annual general meeting, a final net dividend of €3,960,000 (€0.11 per share) in respect of financial year ended 31 January 2023 is to be proposed.

These financial statements do not reflect this proposed dividend which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2023.

14. Revaluation reserve

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Revaluation on property, plant and equipment				
At beginning of year, before deferred tax	**38,763**	38,763	**37,933**	37,933
Deferred taxation (Note 20)	**(4,917)**	(4,917)	**(4,062)**	(4,062)
At 31 January	**33,846**	33,846	**33,871**	33,871

The revaluation reserve was created upon the revaluation of the Group's and Company's properties classified within non-current assets. Related deferred tax was debited to this reserve. The revaluation reserve is a non-distributable reserve.

15. Other reserves

	Share premium	Other unrealised reserve	Incentives and benefits reserve	Capital redemption reserve	Total
	€'000	€'000	€'000	€'000	€'000
GROUP					
At 31 January 2022 and 31 January 2023	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
COMPANY					
At 31 January 2022 and 31 January 2023	**2,078**	**210**	**2,515**	**7,463**	**12,266**

The share premium is principally related to a rights issue approved in 2003 for 1,714,286 shares with a nominal value of €0.30 which were successfully offered to the existing shareholders at a price of €1.40.

The incentives and benefits reserve represents profits set aside for re-investment in terms of Sections 6(1) and 36(2) of the Business Promotion Act. Amounts included in this reserve can only be distributed by way of capitalisation of profits.

The capital redemption reserve represents amounts set aside as a result of the redemption of cumulative redeemable preference shares. In accordance with the Maltese Companies Act, 1995, this reserve is only available for distribution to ordinary shareholders by way of a bonus share issue.

16. Hedging reserve

The changes in fair values of hedging instruments qualifying as cash flow hedges are recorded in a separate category of equity in the hedging reserve as shown below:

	Interest rate swap
	€'000
Group and Company	
At 31 January 2021	
Gross amounts of losses	318
Deferred taxes (Note 20)	(112)
	206
Movement for the year ended 31 January 2022	
Losses from changes in fair value	31
Deferred taxes (Note 20)	(11)
	20
Transferred to statement of comprehensive income (Note 27)	(194)
Deferred taxes (Note 20)	68
	(126)
At 31 January 2022	
Gross amounts of losses	155
Deferred taxes (Note 20)	(55)
	100
Movement for the year ended 31 January 2023	
Gains from changes in fair value	(123)
Deferred taxes (Note 20)	43
	(80)
Transferred to statement of comprehensive income (Note 27)	(73)
Deferred taxes (Note 20)	26
	(47)
At 31 January 2023	
Gross amounts of losses	(41)
Deferred taxes (Note 20)	14
	(27)

The net fair value losses recognised in equity at 31 January 2023 on the interest-rate swap contracts will be transferred from the hedging reserve to the income statements during the remaining term of the contracts up to 2024. As at the reporting period date, these contracts are designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract.

17. Derivative financial instruments

The fair values of derivative financial instruments held for hedging at the end of the reporting period are as follows:

	Group and Company
	€'000
Fair values (assets)/liabilities	
At 31 January 2023	
Interest rate derivative – interest-rate swap	(43)
Total recognised derivative assets	**(43)**
At 31 January 2022	
Interest rate derivative – interest-rate swap	155
Total recognised derivative liabilities	**155**

The above are included in the statements of financial position under the following classifications:

	2023	2022
	€'000	€'000
Derivatives financial (assets)/liabilities		
Non-current	**(4)**	45
Current	**(39)**	110
	(43)	155

Interest rate derivatives

During the financial year ended 31 January 2015, the Company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €12,400,000 matching the principal amount of an equal value specific bank loan. As at the end of the reporting period date, this contract is designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract. Under the interest rate swap arrangement, the Company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 1.82% with variable interest amounts receivable based on the 3-month floating Euribor rate. The derivative expires in 2024, thus matching with the terms of the loan.

Gains and losses recognised in the hedging reserve in equity (Note 16) on the interest rate swap contracts as of 31 January 2023 will be released to the income statements over the period until maturity of the contracts.

The Company has designated these derivative contracts as hedging instruments in a cash flow hedge with the hedged risk being the Company's exposure to cash flow interest rate risk arising on the variable interest amounts payable with respect to these loans. Fair value changes arising on these instruments are recognised in other comprehensive income directly in the cash flow hedging reserve.

18. Borrowings

	Group		Company	
	2023	2022	2023	2022
	€'000	€'000	€'000	€'000
Non-current				
Bonds	**19,850**	19,818	**19,850**	19,818
Bank loans	**2,713**	4,263	**2,713**	4,263
	22,563	24,081	**22,563**	24,081
Current				
Bank overdrafts	**585**	353	**–**	–
Bank loans	**1,550**	1,550	**1,550**	1,550
	2,135	1,903	**1,550**	1,550
Total borrowings	**24,698**	25,984	**24,113**	25,631

The bonds are disclosed at the value of the proceeds less the net book amount of the issue costs as follows:

	Group		Company	
	2023	2022	2023	2022
	€'000	€'000	€'000	€'000
Face value of bonds				
3.5% Bonds 2017 – 2027	**20,000**	20,000	**20,000**	20,000
	20,000	20,000	**20,000**	20,000
Issue costs	**305**	305	**305**	305
Accumulated amortisation	**(155)**	(123)	**(155)**	(123)
Net book amount	**150**	182	**150**	182
Amortised cost	**19,850**	19,818	**19,850**	19,818

By virtue of an offering memorandum dated 31 July 2017, the Company issued €20,000,000 Bonds (2017 - 2027), having a nominal value of €100 each, bearing interest at the rate of 3.5% per annum.

These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 31 July 2017. The quoted market price as at 31 January 2023 for the 3.5% Bonds 2017 - 2027 was €101.50 (2022: €103).

The Group's and the Company's banking facilities as at 31 January 2023 and 2022 amounted to €20,593,500 and €22,144,000 for the Group, and €12,262,500 and €13,812,500 for the Company respectively.

The bank overdrafts and loans are secured by special and general hypothecs over the Group's assets and pledges over the Group's merchandise.

Interest rate exposure:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
At floating rates	**4,848**	6,166	**4,263**	5,813
At fixed rates	**19,850**	19,818	**19,850**	19,818
Total borrowings	**24,698**	25,984	**24,113**	25,631

Certain borrowings at floating rates which interest rate is computed using a margin over the 3-month Euribor rate, are hedged through interest rate swap agreements (Note 17).

The weighted average effective interest rates at the end of the reporting period were as follows:

	Group		Company	
	2023	2022	**2023**	2022
	%	%	**%**	%
Bank loans	**2.00**	2.00	**2.00**	2.00
Bonds	**3.50**	3.50	**3.50**	3.50

This note provides information about the contractual terms of the Group's and the Company's loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and liquidity risk, refer to Note 2.

19. Lease liabilities

	Group	
	As at 31 January	As at 31 January
	2023	2022
	€'000	€'000
Non-current		
Land & buildings	**7,205**	6,791
Plant, machinery & equipment	**–**	20
	7,205	6,811
Current		
Land & buildings	**1,498**	1,345
Plant, machinery & equipment	**–**	134
	1,498	1,479
Total lease liabilities	**8,703**	8,290

	Company	
	As at 31 January	As at 31 January
	2023	2022
	€'000	€'000
Non-current		
Land & buildings	**171**	171
Plant, machinery & equipment	**–**	20
	171	191
Current		
Land & buildings	**15**	15
Plant, machinery & equipment	**–**	134
	15	149
Total lease liabilities	**186**	340

	Group	
	As at 31 January	As at 31 January
	2023	2022
	€'000	€'000
Land & buildings		
At beginning of the year	**8,136**	5,346
Additions	**2,081**	4,143
Interest payments	**360**	263
Payments	**(1,860)**	(1,434)
Other movements	**(14)**	(182)
At end of year	**8,703**	8,136

	Company	
	As at 31 January	As at 31 January
	2023	2022
	€'000	€'000
Land & buildings		
At beginning of the year	**186**	189
Interest payments	**7**	5
Payments	**(7)**	(8)
At end of year	**186**	186

	Group and Company	
	As at 31 January	As at 31 January
	2023	2022
	€'000	€'000
Plant, machinery & equipment		
At beginning of the year	**154**	301
Interest payments	**–**	6
Payments	**(154)**	(153)
At end of year	**–**	154

Included in the lease liabilities for land & buildings of the Group are amounts of €3,705,000 (2022: €3,863,000) which are attributable arrangements with a related party.

The contractual undiscounted cash flows attributable to lease liabilities as at 31 January are analysed in Note 2.1(c).

The incremental borrowing rates at the end of the reporting period were as follows:

	Group		Company	
	2023	2022	**2023**	2022
	%	%	**%**	%
Land & buildings	**4.0**	4.0	**4.0**	4.0
Plant, machinery & equipment	**2.3**	2.3	**2.3**	2.3

20. Deferred taxation

The movement in the deferred tax account is as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
At beginning of year	**(7,486)**	(7,565)	**(8,398)**	(8,455)
(Credited)/Debited to income statements (Note 28)	**(1,521)**	22	**(1,425)**	–
Net tax effect of re-measurement of derivatives (Note 16)	**69**	57	**69**	57
At end of year	**(8,938)**	(7,486)	**(9,754)**	(8,398)

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2022: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 8% or 10% (2022: 8% or 10%) of the transfer value.

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. In view of the fact that the investment tax credit schemes have become more restrictive in respect of large undertakings, the Group and Company have reviewed the extent to which the related deferred tax may be utilised in the foreseeable future. No further recognition of deferred tax credits on investment aid were made during the current year.

This assessment has been based on projected taxable profits. If the actual chargeable income differed by 10% from management's estimates, the Group and Company would need to increase/decrease the deferred tax asset by €1,500,000 (2022: €1,330,000).

The movements in the deferred taxation elements and the balance at 31 January represent:

	Fixed assets	Investment tax credits	Fair value (gain)/loss	Net tax losses	Revaluation surplus	Provisions on assets	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
(Assets)/Liabilities							
GROUP							
At 1 February 2021	2,883	(13,360)	367	(129)	4,917	(2,243)	(7,565)
Income statement	(197)	–	–	–	–	219	22
Other comprehensive income	–	–	57	–	–	–	57
At 31 January 2022	**2,686**	**(13,360)**	**424**	**(129)**	**4,917**	**(2,024)**	**(7,486)**
At 1 February 2022	2,686	(13,360)	424	(129)	4,917	(2,024)	(7,486)
Income statement	336	(1,688)	–	–	–	(169)	(1,521)
Other comprehensive income	–	–	69	–	–	–	69
At 31 January 2023	**3,022**	**(15,048)**	**493**	**(129)**	**4,917**	**(2,193)**	**(8,938)**
COMPANY							
At 1 February 2021	3,041	(13,360)	(112)	–	4,062	(2,086)	(8,455)
Income statement	(151)	–	–	–	–	151	–
Other comprehensive income	–	–	57	–	–	–	57
At 31 January 2022	**2,890**	**(13,360)**	**(55)**	**–**	**4,062**	**(1,935)**	**(8,398)**
At 1 February 2022	2,890	(13,360)	(55)	–	4,062	(1,935)	(8,398)
Income statement	679	(1,688)	–	–	–	(416)	(1,425)
Other comprehensive income	–	–	69	–	–	–	69
At 31 January 2023	**3,569**	**(15,048)**	**14**	**–**	**4,062**	**(2,351)**	**(9,754)**

Deferred taxation is principally composed of deferred tax assets and liabilities which are to be recovered and settled after more than twelve months.

At 31 January 2023, the Group and the Company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Unutilised tax credits	**15,345**	20,649	**15,345**	20,649

Whereas tax losses have no expiry date, unabsorbed capital allowances and other tax credits are forfeited upon cessation of trade. The Group and the Company have unrecognised tax credits in the form of investment tax credits of €15,345,000 (2022: €20,649,000).

21. Provisions for other liabilities and charges

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Termination benefit provisions				
At 1 February	**11**	36	**11**	36
Charged to profit and loss	**16**	17	**16**	17
Utilised during the year	**(18)**	(42)	**(18)**	(42)
At 31 January	**9**	11	**9**	11

The Group and Company have offered early retirement in exchange for a termination benefit to selected employees. This has been communicated to the selected employees, together with the amounts payable. The staff restructuring and termination costs charged for 2023 total €16,000 while for 2022 total €17,000 (Note 23). It is anticipated that €9,000 (2022: €9,000) of the provision will be paid during the financial year ending 31 January 2024.

22. Trade and other payables

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Non-current				
Capital and other payables	**2,229**	2,648	**2,229**	2,648
Indirect taxes and social security	**2,357**	–	**2,357**	–
	4,586	2,648	**4,586**	2,648
Current				
Trade payables	**8,669**	6,077	**2,414**	2,523
Capital and other payables	**5,741**	3,196	**5,719**	3,176
Amounts due to subsidiaries	**–**	–	**233**	672
Amounts owed to related parties	**–**	–	**–**	–
Indirect taxes and social security	**7,941**	12,181	**5,060**	8,863
Accruals and deferred income	**14,041**	11,451	**9,419**	7,228
	36,392	32,905	**22,845**	22,462
Total trade and other payables	**40,978**	35,553	**27,431**	25,110

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 2.

As at 31 January 2023, capital and other payables include institutional grants amounting to €2,627,000 (2022: €2,802,000) relating to funds advanced directly by Government of Malta or other institutions to the Group, co-financing its capital expenditure on certain items of property, plant and equipment. The non-current portion of deferred institutional grants amounted to €2,229,000 (2022: €2,648,000). Such funds are treated as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets.

From time to time, claims and contestations arise, the eventual outcome of which cannot be fully established. As at 31 January 2023, accruals and deferred income include an amount of €2,300,000 (2022: €1,800,000) in respect of past and present operations which may give rise to future cash outflows. This amount is an estimate of the potential outcome based on a best assessment of known risks together with the uncertainty of the timing of any eventual cash outflows (Note 33).

23. Expenses by nature

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (Note 5)	**7,645**	7,639	**6,392**	6,397
Depreciation of right-of-use assets (Note 6)	**1,709**	1,415	**1**	2
Profit on disposal of property, plant and equipment	**(13)**	(31)	**(13)**	(16)
Employee benefit expense (Note 24)	**23,412**	17,366	**12,028**	10,095
Termination benefits (Note 24)	**16**	17	**16**	17
Directors' emoluments (Note 29)	**702**	792	**702**	792
Raw materials, imported goods and consumables	**55,199**	42,568	**21,829**	17,364
Movement in inventory levels of finished goods and work in progress (Note 9)	**(4,036)**	(2,702)	**(726)**	(314)
Amortisation of intangible assets (Note 7)	**106**	50	**70**	11
Other expenses	**16,881**	11,874	**9,338**	5,952
Total cost of sales, selling and distribution costs and administrative expenses	**101,621**	78,988	**49,637**	40,300

Operating profit is stated after crediting deferred institutional grants amounting to €175,000 (2022: €154,000), which are included in 'Cost of sales'.

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2023 and 2022 relate to the following:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**169**	170	**102**	100
Other assurance services	**6**	11	**4**	9
Tax advisory and compliance services	**11**	13	**9**	10
Other non-assurance services	**9**	2	**9**	2
	195	196	**124**	121

24. Employee benefit expense

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Wages and salaries	**21,944**	15,971	**12,851**	10,714
Social security costs	**1,420**	1,338	**832**	822
Other employee related costs	**48**	57	**48**	57
	23,412	17,366	**13,731**	11,593
Recharged to subsidiaries	**–**	–	**(1,703)**	(1,498)
	23,412	17,366	**12,028**	10,095
Termination benefits	**16**	17	**16**	17
	23,428	17,383	**12,044**	10,112

The average number of full time equivalents employed during the year:

	Group		Company	
	2023	2022	**2023**	2022
Brewing, production and sale of branded beers and beverages	**484**	455	**429**	437
Importation, wholesale and retail of food and beverages, including wines and spirits	**99**	99	**–**	–
Operation of franchised food retailing establishments	**327**	248	**–**	–
	910	802	**429**	437

Employee benefit expense for financial year 2023 above amounting to €23,412,000 (Company €12,028,000) is stated net of the COVID-19 wage supplement paid by Government of Malta to the Group to support the payment of employees' wages and salaries amounting to €185,000 (Company €57,000).

Employee benefit expense for financial year 2022 above amounting to €17,366,000 (Company €10,095,000) is stated net of the COVID-19 wage supplement paid by Government of Malta to the Group to support the payment of employees' wages and salaries amounting to €2,900,000 (Company €1,200,000).

25. Net exchange differences

The net exchange differences charged and credited to the income statements include:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**44**	25	**10**	10

26. Finance income

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Interest on amounts owed by subsidiaries	**–**	–	**22**	35

27. Finance costs

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Interest on bank loans and overdrafts	**198**	186	**113**	151
Interest rate subsidy	**–**	(102)	**–**	(102)
Lease interest	**360**	269	**7**	14
Interest on bonds	**700**	700	**700**	700
Fair value loss on derivative financial instruments	**73**	194	**73**	194
Other finance costs	**36**	35	**1**	–
	1,367	1,282	**894**	957

The interest subsidy amount granted from Malta Enterprise to the Company during the year ended 31 January 2023 was nil.

During the year ended 31 January 2022, the Company was granted net interest subsidy amounting to €102,000 from Malta Enterprise related to approved investment loans of €5,812,000. A net effective interest rate of 2.21% was applied, representing the borrowing cost of the loans utilised to finance capital projects. This rate is net of the interest rate subsidy provided by Malta Enterprise.

28. Tax expense/ (income)

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Current tax expense	**1,365**	1,214	**–**	–
Deferred tax (income)/charge (Note 20)	**(1,521)**	22	**(1,425)**	–
Redemption of conversion tax credits	**–**	(1,500)	**–**	(1,500)
Tax income	**(156)**	(264)	**(1,425)**	(1,500)

The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Profit before tax	**15,316**	12,164	**12,141**	8,571
Tax on profit at 35%	**5,361**	4,257	**4,249**	3,000
Tax effect of:				
Movement in deferred tax assets/conversion tax credits	**(5,304)**	(4,419)	**(5,304)**	(4,419)
Over provision in deferred tax related to prior years	**(467)**	–	**(467)**	–
Non-taxable income and disallowed expenses	**254**	(102)	**97**	(81)
Tax income	**(156)**	(264)	**(1,425)**	(1,500)

29. Directors' emoluments

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**228**	232	**228**	232
Salaries	**165**	157	**165**	157
Other emoluments	**309**	403	**309**	403
Total Directors' remuneration	**702**	792	**702**	792

A number of Directors availed themselves of an allowance for the use of Company cars during the year. The estimated value of this benefit has been included within the Directors' emoluments, which also includes other allowances.

30. Earnings per share

Earnings per share is based on the profit for the financial year attributable to the shareholders of Simonds Farsons Cisk plc divided by the weighted average number of ordinary shares in issue during the year and ranking for dividend.

	Group	
	2023	2022
Profit attributable to shareholders (€'000)	**15,472**	12,428
Weighted average number of ordinary shares in issue (thousands)	**36,000**	36,000
Basic and diluted earnings per share for the year attributable to shareholders	**€ 0.4298**	€ 0.3452

The Company does not have any dilutive contracts on own shares in issue.

The Earnings per share for FY 2022 has been restated to reflect the additional shares allotted through the Bonus share issue (Note 12).

31. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Operating profit	**16,683**	13,446	**13,013**	9,493
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	**7,645**	7,639	**6,392**	6,397
Depreciation of right-of-use assets (Note 6)	**1,709**	1,415	**1**	2
Profit on disposal of property, plant and equipment (Note 23)	**(13)**	(31)	**(13)**	(16)
Rent rebates	**–**	(177)	**–**	–
Amortisation of intangible assets (Note 7)	**106**	50	**70**	11
Amortisation of institutional grant (Note 23)	**(175)**	(154)	**(175)**	(154)
Amortisation of bond issue costs (Note 18)	**32**	33	**32**	33
Decrease in provision for impairment of trade and other receivables (Note 10)	**(66)**	(666)	**(331)**	(472)
Provision for termination benefits (Note 21)	**16**	17	**16**	17
	25,937	21,572	**19,005**	15,312
Changes in working capital:				
Inventories	**(7,515)**	(2,588)	**(3,916)**	(90)
Trade and other receivables	**(7,306)**	(2,340)	**(968)**	3,520
Trade and other payables	**5,592**	10,890	**2,492**	7,872
Cash generated from operations	**16,708**	27,534	**16,613**	26,613

Net debt reconciliation

All the movements in the Company's net debt (bank and bond borrowings net of cash and cash equivalents) related only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 78 and movement in lease liability is disclosed in Note 19.

32. Commitments

Capital commitments

Commitments for capital expenditure with respect to property, plant and equipment not provided for in these financial statements are as follows:

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**7,226**	1,640	**5,379**	–
Contracted but not provided for	**2,755**	4,492	**2,755**	4,492
	9,981	6,132	**8,134**	4,492

33. Contingent liabilities

At 31 January 2023, the Group and the Company had contingent liabilities amounting to €831,000 (2022: €866,000) and €85,000 (2022: €88,000) respectively, with regards to guarantees mainly in favour of the Comptroller of Customs issued by the bank on behalf of the Group and Company in the ordinary course of business and capital expenditure.

The Company has been made aware of preliminary enquiries between third parties which could potentially result in a claim being made against the Company. At this stage the Company is not a party to the enquiries, the eventual outcome of which remains uncertain (Note 22).

34. Related party transactions

The following companies (and their respective subsidiaries) are related parties by virtue of their shareholding in the Company:

	Percentage of shares held	
	2023	2022
Farrugia Investments Limited	**26.50**	26.50
M.S.M. Investments Limited	**26.50**	26.50
Sciclunas Estates Limited	**26.32**	26.32

The remaining 20.68% (2022: 20.68%) of the shares are widely held. The transactions set out below were carried out with related parties. The Directors make particular reference to the fact that Trident Estates plc and its subsidiaries are considered to be related parties due to common Directors and the common shareholding.

	Group		Company	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Income from goods and services				
– Sales of goods to subsidiaries	**–**	–	**2,372**	1,666
– Sales of goods to related parties	**254**	175	**166**	88
– Recharge of costs to subsidiaries	**–**	–	**1,337**	1,083
– Recharge of payroll costs to subsidiaries	**–**	–	**2,075**	1,974
– Recharge of payroll costs to a related party	**99**	96	**99**	96
– Finance income on loans to subsidiaries	**–**	–	**22**	22
	353	271	**6,071**	4,929
Expenditure for goods and services				
– Purchases of goods from subsidiaries	**–**	–	**2,101**	1,213
– Purchases of goods and services from related parties	**890**	697	**773**	651
– Rental expenses from related parties	**790**	787	**–**	–
– Finance costs on loans from subsidiaries	**–**	–	**6**	1
	1,680	1,484	**2,880**	1,865

Key management personnel compensation, consisting of Directors' and Senior Management remuneration, is disclosed as follows:

	Group	
	2023	2022
	€'000	€'000
Directors (Note 29)	**702**	792
Senior Management	**1,253**	1,113
	1,955	1,905

The Company has no profit sharing, share options or pension benefits arrangements with key management personnel.

Amounts due from/to subsidiaries, in connection with sales and purchases and treasury transactions, are disclosed in Notes 10 and 22 of these financial statements.

35. Statutory information

Simonds Farsons Cisk plc is a public limited company and is incorporated in Malta.

36. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of fairer presentation.

37. Subsidiaries

The principal subsidiaries are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2023**	2022
EcoPure Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Sale and distribution of bottled water	**100**	100
Farsons Distribution Services Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Non-operating	**100**	100
Farsons Beverage Imports Company Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Importation and wholesale of beverages, wines and spirits	**100**	100
Food Chain Limited	303, Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Portanier Warehouses Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Property leasing	**100**	100
Quintano Foods Limited	303, Qormi Road, Marsa	Importation and wholesale of food products	**100**	100
The Brewhouse Company Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Operation of brand visitors' attraction, retail stores, food retailing establishment and office space	**100**	100

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the Company

	Ordinary shares held as at 31 January 2023	Ordinary shares held as at 30 April 2023
Mr Louis A. Farrugia	36,268	36,268
Mr Michael Farrugia	6,662	6,662
Ms Marina Hogg	15,238	15,238
Baroness Justine Pergola	64,968	64,968
Marquis Marcus John Scicluna Marshall	32,947	32,947
Mr Marcantonio Stagno d'Alcontres	4,116	4,116
Dr Max Ganado	1,800	1,800

Directors' interests listed above are inclusive of shares held in the name of the relative spouse and minor children as applicable.

Mr Louis A. Farrugia has beneficial interest in Farrugia Investments Limited directly and through Farrugia Holdings Limited. Mr Michael Farrugia has beneficial interest in Farrugia Investments Limited through Farrugia Holdings Limited.

Mr Marcantonio Stagno d'Alcontres has a beneficial interest in M.S.M. Investments Limited through Miceli Holdings Limited and Medsea Investments Limited. Ms Marina Hogg has a beneficial interest in M.S.M. Investments Limited through Bolina Holdings Limited and Miceli Holdings Limited.

Marquis Marcus John Scicluna Marshall has a direct beneficial interest in Sciclunas Estates Limited. Baroness Justine Pergola has beneficial interest in Sciclunas Estates Limited.

There has been no movement in the above stated shareholdings during the period 31 January 2023 to 30 April 2023.

Shareholders holding 5% or more of the equity share capital as at 30 April 2023

Ordinary shares

Shareholders	Number of shares	Percentage holding
Farrugia Investments Limited	9,538,632	26.50
M.S.M. Investments Limited	9,538,632	26.50
Sciclunas Estates Limited	9,475,395	26.32

Shareholding details

As at 30 April 2023, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	2,010

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 30 April 2023

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	677	153,368	0.43%
501 – 1,000	373	267,999	0.74%
1,001 – 5,000	742	1,660,577	4.61%
More than 5,000	218	33,918,056	94.22%
	2,010	36,000,000	100.00%

Nadine Magro

Company Secretary

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FIVE YEAR SUMMARISED GROUP FINANCIAL INFORMATION

		2023	2022	2021	2020	2019
		€'000	€'000	€'000	€'000	€'000
Revenue		**118,238**	91,768	73,016	103,491	99,798
Operating costs		**(101,555)**	(78,322)	(67,343)	(89,801)	(84,464)
Operating profit		**16,683**	13,446	5,673	13,690	15,334
Net finance costs		**(1,367)**	(1,282)	(1,246)	(1,370)	(1,239)
Profit before taxation		**15,316**	12,164	4,427	12,320	14,095
Tax		**156**	264	(1,094)	(451)	1,036
Profit attributable to Ordinary shareholders		**15,472**	12,428	3,333	11,869	15,131
Net dividends paid on Ordinary shares		**5,620**	3,000	–	4,000	3,600
Shareholders' funds		**139,167**	129,188	119,654	116,223	108,273
Lease liabilities		**8,703**	8,290	5,647	6,391	–
Borrowings (net of cash and cash equivalents)		**14,799**	10,264	18,591	34,146	33,117
Total capital employed (adjusted)		**162,669**	147,742	143,892	156,760	141,390
Non-current assets		**153,455**	145,727	136,504	136,287	127,554
Current assets (excluding cash and cash equivalents)		**51,730**	39,485	33,387	43,246	35,864
Liabilities (excluding cash borrowings and lease liabilities)		**(42,516)**	(37,470)	(25,999)	(22,773)	(22,028)
Total assets less liabilities (excluding net borrowings)		**162,669**	147,742	143,892	156,760	141,390
Ordinary shares issued	*'000*	**36,000**	30,000	30,000	30,000	30,000
Bonus shares issued	*'000*	**6,000**	–	–	–	–
Number of Ordinary shareholders at year end		**2,010**	1,997	1,991	1,922	1,886
Earnings per Ordinary share (Note 30)		**€ 0.430**	€ 0.345	€ 0.093	€ 0.330	€ 0.420
Return on average capital employed	*percentage*	**11.4**	9.7	3.9	9.4	11.1
Dividend cover	*times*	**2.75**	4.14	–	2.97	4.20
Dividends per Ordinary share (net of tax)		**€ 0.156**	€ 0.100	–	€ 0.133	€ 0.120
Net asset value per Ordinary share		**€ 3.87**	€ 3.59	€ 3.32	€ 3.23	€ 3.01
Gearing	*percentage*	**14.45**	12.56	16.84	25.86	23.42

The Earnings per Ordinary share and the Net asset value per Ordinary share for prior years have been restated to reflect the additional shares allotted through the Bonus share issue in FY 2023 (Note 12).

Return on average capital employed is calculated by dividing operating profit by the average of the opening and closing total capital employed for the relevant year.

Dividend cover is calculated by dividing the profit attributable to the ordinary shareholders by the total net dividends paid in cash during the year.

Net asset value per Ordinary share is calculated by dividing shareholders' funds attributable to the ordinary shareholders by the number of ordinary shares in issue at the end of the year.

Gearing is calculated by dividing net borrowings by the sum of total equity and net borrowings.

pwc

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIMONDS FARSONS CISK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- The Group financial statements and the Parent Company financial statements (the "financial statements") of Simon Farsons Cisk plc give a true and fair view of the Group and the Parent Company's financial position as at 31 January 2023 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Simonds Farsons Cisk plc's financial statements comprise:

- the Consolidated and Parent Company statements of financial position as at 31 January 2023;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Parent Company and its subsidiaries, in the period from 1 February 2022 to 31 January 2023, are disclosed in Note 23 to the financial statements.

Our audit approach

Overview

- Overall group materiality: €766,000, which represents 5% of profit before tax.

- The Group is composed of 8 reporting units all located in Malta.
- The Group engagement team carried out the audit of the financial statements of the Parent Company as well as the audit of the financial statements of all the subsidiaries.

- Recognition of deferred tax asset arising from tax credits relating to the Group and the Parent Company.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€766,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €76,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recognition of deferred tax asset arising from tax credits relating to the Group and Company *Refer to Note 20*	
The Group and the Parent Company have recorded a deferred tax asset attributable to unutilised tax credits amounting to €15 million to the extent that it is probable that future taxable profits arising from the operations of the manufacturing arm of the Group will be available to allow the deferred tax asset to be recovered. We focused on this area because of the level of judgement that is applied in quantifying the appropriate tax credits to be utilised and therefore determining assumptions about future profit streams and investment decisions.	We obtained the detailed tax computation and tested the balance of unutilised tax credits carried forward. We evaluated and challenged the Group's budgets, business plans, future investment strategy and assumptions used to determine an estimate of that portion of unutilised tax credits to be used in the foreseeable future and therefore recognised as a deferred tax asset. We were provided with explanations that suggest that there are no indications that the amounts recognised are not recoverable.

How we tailored our group audit scope
The Group is composed of 8 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group audit team performed all of this work by applying the overall group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises all of the information in the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinio.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Report of Simonds Farsons Cisk plc for the year ended 31 January 2023, entirely prepared in a single electronic reporting format.

Responsibilities of the directors
The directors are responsible for the preparation of the Annual Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities
Our responsibility is to obtain reasonable assurance about whether the Annual Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:
- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Report and performing validations to determine whether the Annual Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the Annual Report for the year ended 31 January 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Report 2023* contains other areas required by legislation or regulation on which we are required to report. The directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the Annual Report 2023 and the related directors' responsibilities	Our responsibilities	Our reporting
Directors' Report and Statement by the Directors on Non-Financial Information The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements. With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Area of the Annual Report 2023 and the related directors' responsibilities	Our responsibilities	Our reporting
Corporate Governance Statement The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Remuneration report The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

Area of the Annual Financial Report 2023 and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.	Wehave nothing to report to you in respect of these responsibilities.

Other matter – use of this audit report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Parent Company for the period ended 31 March 1948. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 75 years. The Company became listed on a regulated market on 20 December 1995.

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Malta

Stefan Bonello
Partner
18 May 2023