SIMONDS FARSONS CISK PLC

ANNUAL REPORT 2017/18

FOR THE YEAR ENDED 31 JANUARY 2018

FARSONS GROUP

Farsons

90 YEARS OF BREWING

Ever since we set up our original brewery in Hamrun in 1928, the history of brewing in Malta has been synonymous with Farsons and its brands.

It's been an exciting journey, driven by innovation, an enterprising spirit and far-sighted investments, and the Farsons Group has grown into an increasingly diversified foods and beverage business.

Working with finest quality ingredients, we have created and nurtured a range of quality beers; not only are they an inextricable part of Malta's way of life but they continue to be appreciated, and awarded, internationally.

Grateful for the strong support our beers continue to receive, we also appreciate the vital role played by our brewers, employees, partners and suppliers – without their shared sense of purpose and on-going dedication, such achievements would not be possible.

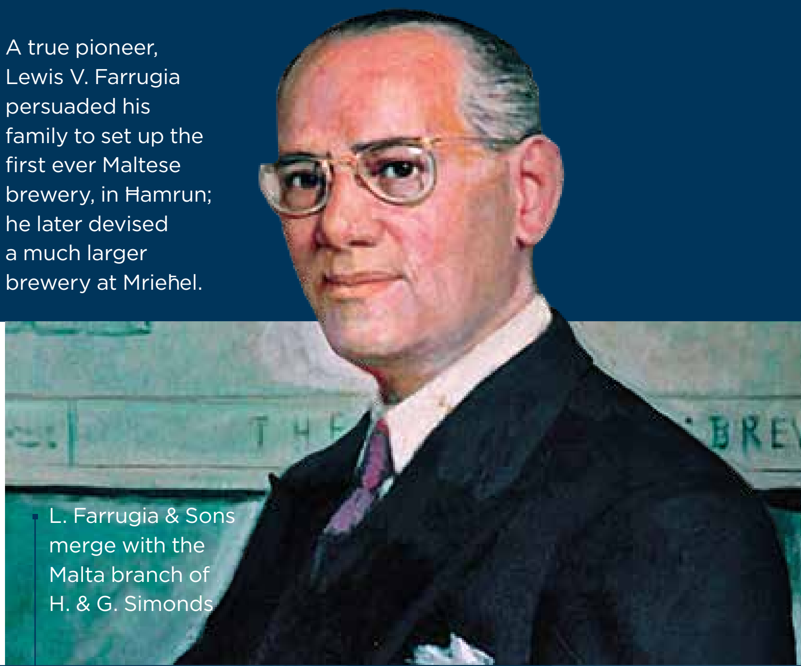
CONTENTS

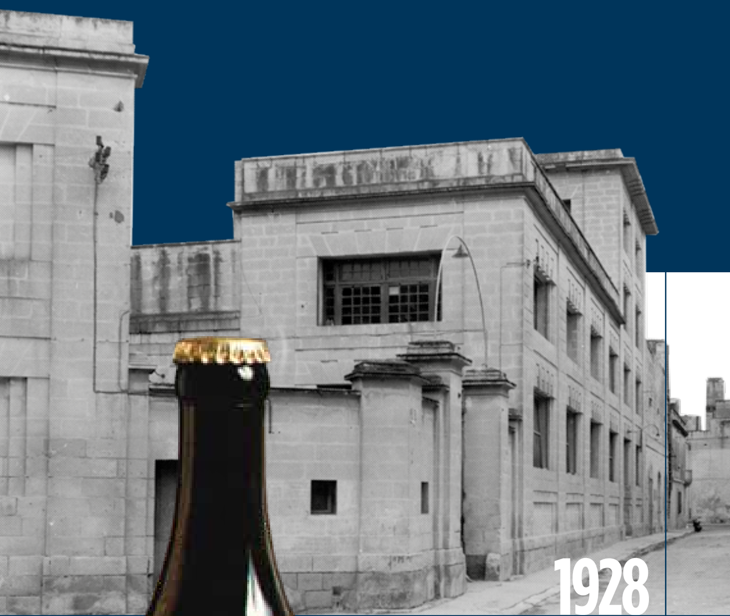
Simonds Farsons Cisk plc
Annual Report 2017/18

CELEBRATING 90 YEARS OF BREWING

Throughout its eventful history, the Farsons Group has grown into a diversified food and beverage business spread across a number of sectors. Brewing was the initial activity which spurred Farsons forward and remains a key part of the Group's business. As Farsons looks ahead to the future, we now celebrate a number of key brewing milestones along our 90 year journey.

A true pioneer, Lewis V. Farrugia persuaded his family to set up the first ever Maltese brewery, in Ħamrun; he later devised a much larger brewery at Mrieħel.





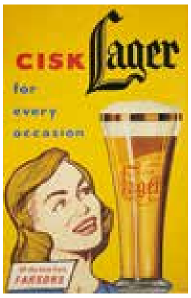
1928

L. Farrugia & Sons open their first Brewery in Ħamrun and Launch 'Farsons Pale Ale'

L. Farrugia & Sons merge with the Malta branch of H. & G. Simonds

1929

Marquis
John Scicluna
becomes
Vice-Chairman,
and subsequently
Chairman of
Simonds Farsons
Cisk Limited



Merger with the
Malta Export
Brewery to
form Simonds
Farsons Cisk,
Cisk Lager joins
the portfolio

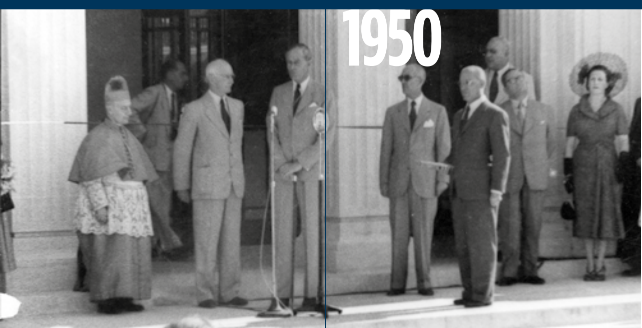
1948

1974

Beer
Bottling Hall

First Beer Festival
at Argotti

1981



1950

Inauguration of
Mrieħel Brewey

1956

Anthony Miceli-Farrugia
appointed Managing
Director of Simonds
Farsons Cisk he was
instrumental in developing
a new product – Kinnie

1978

Licence to brew, package,
market and distribute
Carlsberg in Malta

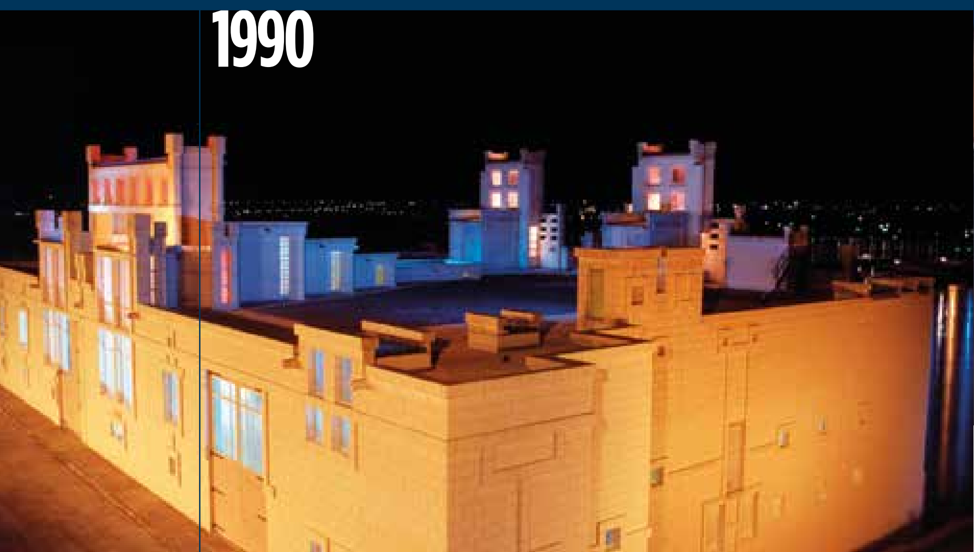
Signing of exclusive bottling
agreement with PepsiCo

1993

Farsons' beers re-introduced in cans

1995

Simonds Farsons Cisk becomes the first private sector company to list on the Malta Stock Exchange



1990

Process Block & Tank Farm inaugurated

2004

Agreement with Anheuser-Busch for bottling and packaging of Budweiser beer in Malta

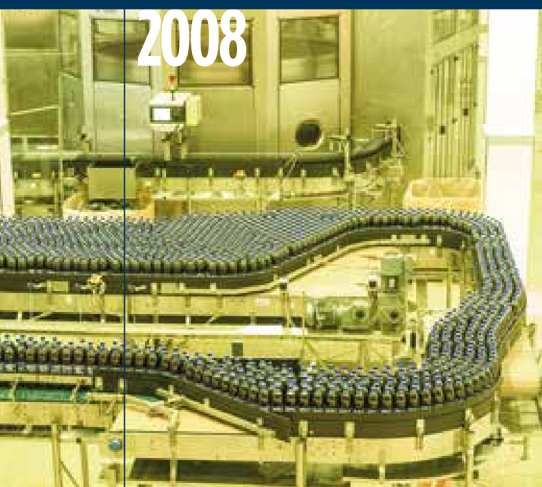
Commissioning
of new
Brewhouse

2012

The range of
Farsons Classic
Brews launched

2016

2008



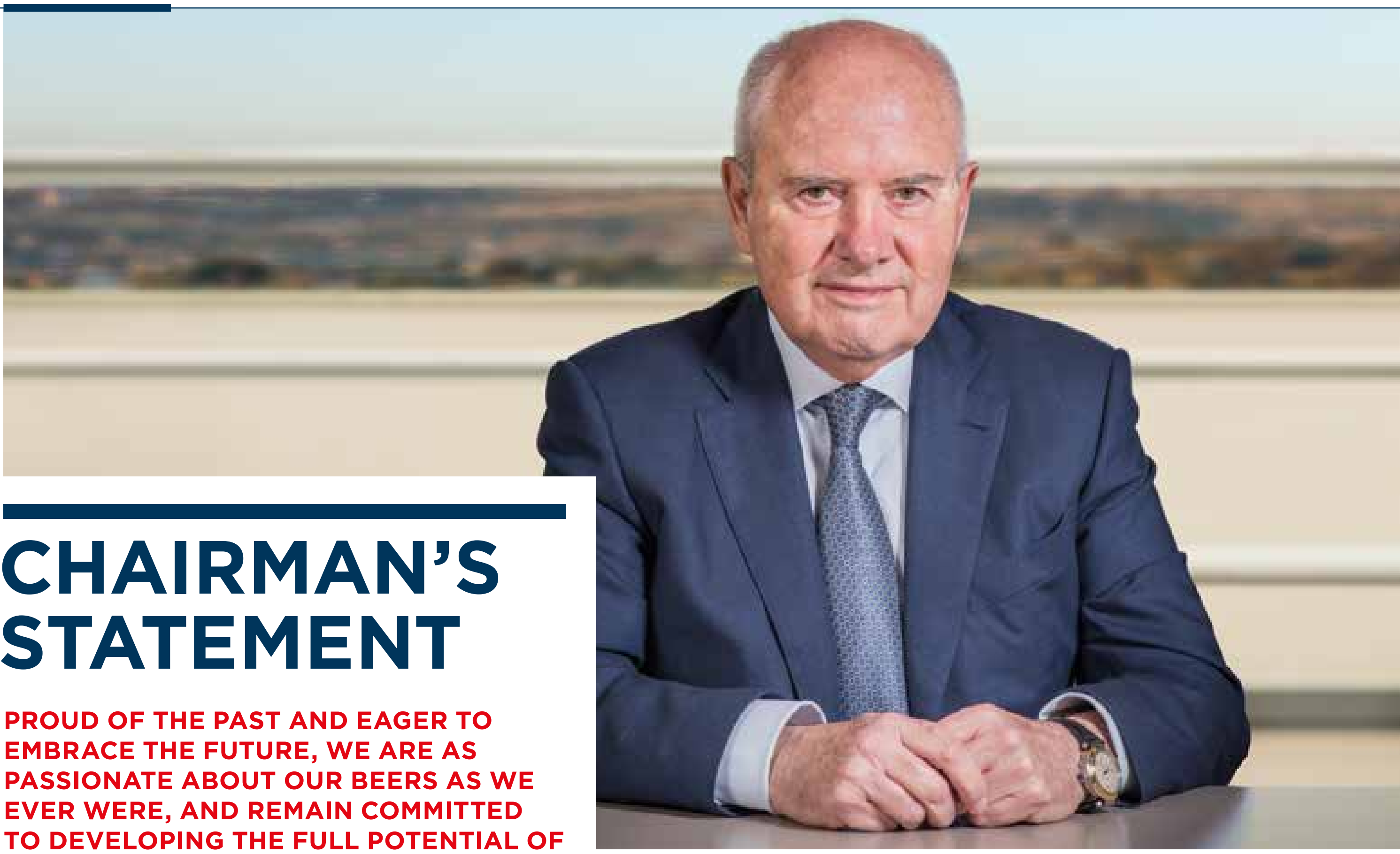
New Packaging Centre for Soft Drinks
and state-of-the-art Logistics Centre
inaugurated

2015

Cisk Lager
repackaging
& range
extension

2016

Beer
Packaging
Facility
inaugurated



CHAIRMAN'S STATEMENT

PROUD OF THE PAST AND EAGER TO EMBRACE THE FUTURE, WE ARE AS PASSIONATE ABOUT OUR BEERS AS WE EVER WERE, AND REMAIN COMMITTED TO DEVELOPING THE FULL POTENTIAL OF MALTA'S FINEST BREWS IN THE EXCITING YEARS AHEAD.

I am once again most pleased to report on another set of positive results achieved by your Group in this 70th year of the trading life of Simonds Farsons Cisk plc. This year we are also celebrating the 90th anniversary of Farsons brewing its first beer named 'Farsons Pale Ale' at its original brewery in Ħamrun. I am indeed proud to have served forty-five of these years for a Group of companies that has grown from humble beginnings to one that now aspires to expand and develop in markets away from our shores, and which is actively taking steps to internationalise its business model.

Group turnover this year registered a solid 8% increase reaching €95 million, whilst our profit before taxation amounted to €13.5 million, an increase of 18%. EBITDA reached an impressive €22 million increasing by 7%. Our net borrowings at the year-end amounted to €39 million, and remain well contained despite our continued heavy capital expenditure programme. Our gearing ratio at the year-end stood at 28.8%.

During the year, your Board resolved to restructure its borrowings by exercising its option to redeem the €15 million 6% Bonds 2017 – 2020. This was followed by the issue of €20 million 3.5% Unsecured Bonds 2027 – an issue that was strongly oversubscribed. The proceeds from the new bond issue were used to redeem the maturing bonds and for general corporate purposes.

Besides the heavy capital expenditure programme undertaken during the year amounting to €13.5 million, we also made a cash payment of €6.5 million towards the end of our financial year to Trident Estates plc. Trident is now spun off as a separate listed plc in line with our strategy to hive off our non-brewery property assets into a focused property development group – and is now governed by a separate Board of Directors and Executive Management Team led by Charles Xuereb.

Our results have been achieved through the hard work undertaken by a team of dedicated managers and a committed workforce ably led by our Group Chief Executive, Norman Aquilina, together with his senior management team.

The Group Chief Executive provides a detailed account in this Annual Report on the performance of the various businesses that the Group operates. I wish to point out that all our businesses have in fact improved their results because of the commitment referred to above, coupled with the enhanced competitiveness largely secured by the very substantial capital investment undertaken in plant and in our human resources over the last five to six years.

Whilst this necessary investment programme was being undertaken, we have simultaneously been preparing for vacating the 1950 brewery building, so that this important piece of unutilised real estate could be converted into a sustainable investment for the benefit of all shareholders. This has required a number of enabling projects such as the provision of additional office space, the need for a truck park, a warehouse extension, a truck loading bay, a new canteen and in-house chapel – all of which were initiated during the last 12 months and commissioned towards the end of the financial year or soon after.

Following an unexpected initial indication of the Planning Authority Board to refuse the Trident Park permit, your Board decided to place the planned spin-off of the shareholding in Trident Estates plc into abeyance. However, after a period of intense analysis and discussion, the Planning Authority Board unanimously approved the project on 7 December 2017. The spin-off was then effectively completed on 22 January 2018, when the share transfer agreements were signed and returned to the Company or settled in trust.

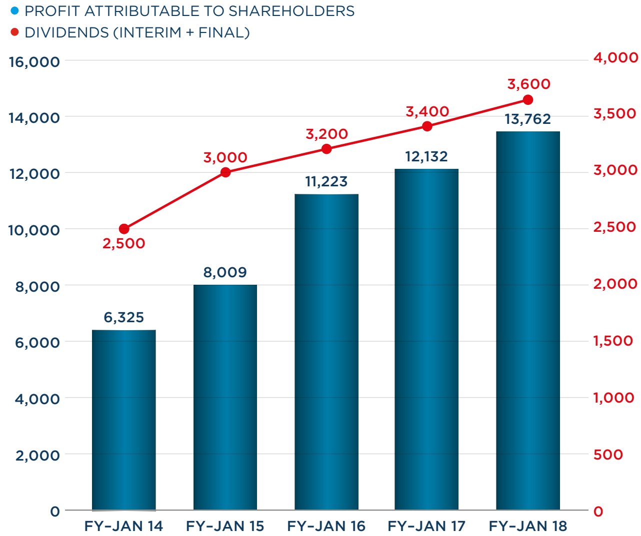
The Trident spin-off was approved at last year's general meeting and in line with this approval, on 20 December 2017 your Board declared a dividend of €37,211,000 that was settled 'in kind' through the distribution of the Company's entire shareholding in Trident Estates plc to all shareholders pro rata to the number of shares held by them in the Company as at close of business on 21 December 2017. The resulting net asset value as outlined above and detailed in the Prospectus amounted to an equivalent of €1.24 per share.

On 30 January 2018 Trident Estates plc was listed on the Malta Stock Exchange and trading commenced on the following day. The Board of Trident Estates plc is now composed of eight Directors, two of whom represent the general public shareholders, in a similar way that the Simonds Farsons Cisk plc Board is composed. Although to a very large extent Simonds Farsons Cisk plc and Trident Estates plc have common shareholders, they are now separate and distinct groups that are run independently. Clearly, any ongoing business between the groups needs to be conducted on an arm's length basis and, as Chairman of both entities, you have my assurance that proper governance safeguards have been put in place.

Our local economy continues to perform above the Eurozone average, whilst our own target market has been boosted by record tourist arrivals and an increase in the numbers of expatriates living on our island in response to the increase in the demand for labour. There is no doubt that labour supply is very tight, and, we are facing a shortage of suitably qualified labour to fill a number of vacant positions we have on offer. The financial year under review has witnessed a record level of new recruits in response to the higher employee turnover that we have experienced right across the Group. There is no doubt that the general shortage of labour will result in wage inflation, and this, in turn, will translate into increases in costs and further pressure on our margins as well as pressures to further improve our productivity.

The Group Chief Executive review highlights our concerns on the announcement by Government of the new Beverage Container Refund Scheme (BCRS) which is scheduled to become effective in December 2019. The motivation and reasoning behind this scheme which is designed to raise the currently low recycling rates for plastic, glass and aluminium are valid and are readily acknowledged. However, we do have real concerns that, unless the scheme is carefully implemented and administered to high standards, then the scheme may well allow and encourage illicit trading to the severe detriment of law abiding corporates such as your Group. Therefore, whilst acknowledging the need for significantly improved waste collection and recycling results, we shall also be making our valid concerns known to the authorities during the period leading to the scheme start up.

DECLARED DIVIDENDS OVER THE PAST FIVE YEARS



Looking forward, your Board will continue to focus on internationalising our business through searching for new markets and by continuing to produce high quality products, always striving to become more competitive and innovative in the businesses that we operate. We should also see a reduction in the very high levels of capital expenditure experienced in recent years and a strong focus on improvements in our processes and productivity.

Given the Group's strong results for the year under review, your Board is pleased to propose a final dividend amounting to €2,600,000. If approved by the shareholders at the forthcoming Annual General Meeting, this will result in total dividend distributions in cash for the year of €3,600,000 as compared with the €3,400,000 paid last year.

The current financial year will see us start incurring capital expenditure on the transformation of the Old Brewhouse into a visitor's attraction and micro-brewery, complemented with food and beverage outlets. This will complement the Trident Park investment which has already commenced and which will be undertaken by the newly listed Trident Estates plc.

Finally, I thank all stakeholders, my Board of Directors, our CEO Norman Aquilina and his management team as well as all Group employees for their commitment to our efforts to strive to grow our businesses in a sustainable way.

A special word of thanks goes to our legal advisers Mamo TCV and our auditors PricewaterhouseCoopers for all their assistance and advice in what has been a year of significant and complex corporate transactions.

Louis A. Farrugia
Chairman
16 May 2018

BOARD OF DIRECTORS & BOARD COMMITTEES

DIRECTORS

Louis A. Farrugia[8] - *Chairman*

Marcantonio Stagno d'Alcontres[6] - *Vice-Chairman*

Norman Aquilina[9] - *Group Chief Executive*

Roderick Chalmers[4]

Michael Farrugia[1]

Dr Max Ganado[2]

Marina Hogg[10]

Marquis Marcus John Scicluna Marshall[5]

Baroness Christiane Ramsay Pergola[7]

Antoinette Caruana[3] - *Company Secretary*

SENIOR MANAGEMENT BOARD

Norman Aquilina - *Chairman*
John Bonello Ghio - *Group Head of Food Business*
Chris Borg Cardona - *Head of Logistics & EcoPure Limited*
Stefania Calleja - *Head of Sales & Customer Relations*
Antoinette Caruana - *Company Secretary and Group HR Manager*
Eugenio Caruana - *Chief Operating Officer (Designate)*
Michael Farrugia - *Chief Business Development Officer*
Philip Farrugia - *Head of IT and Business Services*
Ray Sciberras - *Chief Operating Officer*
Pierre Stafrace - *General Manager FBIC*
Anne Marie Tabone - *Chief Financial Officer*
Susan Weenink Camilleri - *Head of Marketing & Communications*

CORPORATE GOVERNANCE COMMITTEE

Marcantonio Stagno d'Alcontres - *Chairman*
Dr Max Ganado
Marina Hogg
Marquis Marcus John Scicluna Marshall

RELATED PARTY TRANSACTIONS COMMITTEE

Dr Max Ganado - *Chairman*
Roderick Chalmers
Marquis Marcus John Scicluna Marshall

NEW VENTURES/ACQUISITIONS/MERGERS COMMITTEE

Dr Max Ganado - *Chairman*
Michael Farrugia
Marina Hogg
Marquis Marcus John Scicluna Marshall

BOARD PERFORMANCE EVALUATION COMMITTEE

Marquis Marcus John Scicluna Marshall - *Chairman*
Michael Farrugia
Dr Max Ganado
Marina Hogg

REMUNERATION COMMITTEE

Louis A. Farrugia - *Chairman*
Roderick Chalmers
Marquis Marcus John Scicluna Marshall
Marcantonio Stagno d'Alcontres

NOMINATION COMMITTEE

Louis A. Farrugia - *Chairman*
Dr Max Ganado
Marquis Marcus John Scicluna Marshall
Marcantonio Stagno d'Alcontres

AUDIT COMMITTEE

Roderick Chalmers - *Chairman*
Marina Hogg
Marquis Marcus John Scicluna Marshall
Marcantonio Stagno d'Alcontres *(resigned 22 February 2017)*

THE FARSONS FOUNDATION BOARD OF TRUSTEES

Bryan A. Gera - *Chairman*
Antoinette Caruana
Michael Farrugia
Franco Masini
Mark Miceli-Farrugia
Arthur Muscat
Kenneth C. Pullicino - *Secretary*

GROUP CHIEF EXECUTIVE'S REVIEW

I AM PLEASED TO REPORT THAT WE HAVE, ONCE AGAIN, RAISED THE BAR, PUSHING AHEAD WITH ANOTHER STRONG PERFORMANCE. THE FARSONS GROUP CONTINUES TO ACHIEVE YEAR-ON-YEAR GAINS, BOTH IN PROFITABILITY AND TURNOVER. MAINTAINING SUCH MOMENTUM IS CLEARLY NO MEAN FEAT, NOR CAN IT BE TAKEN FOR GRANTED. WE THEREFORE HAVE GOOD REASON TO BE SATISFIED WITH OUR RESULTS. AS WE CONTINUE TO REAP THE BENEFITS OF OUR INVESTMENTS, WE REMAIN CONFIDENT IN OUR ABILITY TO FORGE AHEAD.

We have registered an 8% increase in turnover, up from €88 million last year to €95 million this year. More significantly, we have reached an operating profit of €14.7 million, an increase of around 14% and a pre-tax profit of €13.4 million, an increase of 18% over the previous year. During the year under review we undertook a number of capital projects: namely a new corporate office block, a new hi-tech kegging plant, together with a sizeable extension to our Logistics Centre. The Group's investments, which amounted to €13.5 million, mean our business structures are now more efficient and enhance our competitive positioning. We also achieved significant improvements in cash generation, with our EBITDA increasing by 7% to a record of €22 million.

Undoubtedly, this sort of resilient performance by the Farsons Group could not have been possible without a sustained commitment towards the necessary investments. However, this has to be coupled with an ongoing and aggressive commercial drive which ensures we respond well to market realities. Whilst we press ahead with our growth ambitions, we must also simultaneously remain as nimble and innovatively-led as possible, without lowering our guard because competitive pressures continue to prevail and escalate.

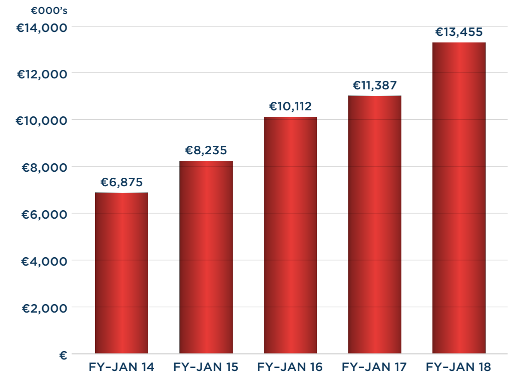
Clearly the country is experiencing a buoyant economic performance along with record tourist arrivals. Whilst this certainly stimulates demand, it also leads to heightened levels of competition as both existing businesses and new entrants gear up accordingly. A market where supply does not fall short of demand places pressure on pricing, and so we are compelled to respond in the most effective manner possible.

Operating in a highly competitive environment has ensured that we remain vigilant, constantly re-assessing our position to ensure we operate as cost efficiently and productively as possible. We are nonetheless responding well to these market pressures as our Group results clearly show.

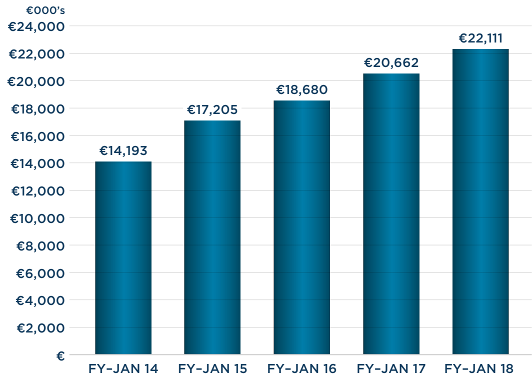
A further significant challenge that we face relates to the increasing regulatory and fiscal compliance costs which give rise to concern on shortcomings when it comes to effective and equitable enforcement across the market. This situation could well further deteriorate as Government pushes forward with its intentions to legislate in favour of a Beverage Container Refund Scheme (BCRS). Recognising the environmental sensitivities, this initiative is well intended, indeed its objective is commendable, but the absence of effective enforcement – considering the country's track record in this respect – or any measures that result in an unlevel playing field, remains one of the areas of prime concern to our Group. Here, we have, and will continue, to maintain an active dialogue along with making all the necessary representations with the relevant authorities to safeguard our Group's interests.

"SUCH A CONTINUED RESILIENT GROUP PERFORMANCE COULD NOT HAVE BEEN POSSIBLE WITHOUT OUR SUSTAINED COMMITMENT TOWARDS THE NECESSARY INVESTMENTS"

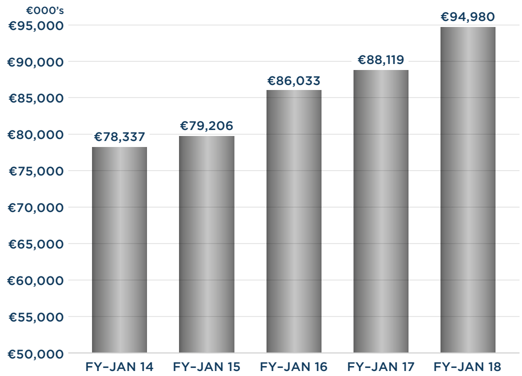
GROUP PROFITABILITY BEFORE TAX FROM CONTINUING OPERATIONS



GROUP EBITDA FROM CONTINUING OPERATIONS



GROUP TURNOVER FROM CONTINUING OPERATIONS



MARKET TRENDS AND DEVELOPMENTS

The year under review was once again a very particular one, characterised by a number of factors which had a direct or indirect effect on the beverage market and beverage consumption. The economy continued to register positive results during the year: tourism hit a new high at almost 2.3 million arrivals, generating 10% increase in bed-nights and 14% increase in expenditure. At 1.37%, inflation was in line with the EU average whilst unemployment levels were negligible.

Secondly, weather conditions were largely favourable, particularly during our peak summer months, with record high temperatures throughout July and August, which positively affected consumption of beers and water. This was not the case for carbonated soft drinks however, as consumers tend to switch to still drinks such as iced teas and water during very hot spells. Furthermore, mass public events related to the General Election in May 2017 boosted beverage consumption, particularly beers, to above average levels.

On the other hand, some underlying trends and influences dampened these positive effects on certain products in our portfolio. Particularly, the continued spotlight on the link between obesity and soft drink consumption exerted pressure on consumption, with many consumers shifting to 'better for you' options or switching from soft drinks to other beverage alternatives.

Likewise we need to remain vigilant in our dealings on the various evolving and ongoing environmental issues along with their sensitives. Here, we continue to face challenges not only from legislators, as referred to earlier, but also from environmental lobbyists, with the most topical subject being plastic packaging and its impact on the environment. Media attention and public interest is also growing here, and so must our response.

KEY GROUP PERFORMANCE HIGHLIGHTS FROM CONTINUING OPERATIONS

ACTUAL vs LAST YEAR vs FIVE YEAR COMPARATIVES

	FY Jan 2018 €'000	Improvement vs FY Jan 2017	Improvement vs FY Jan 2014
Turnover	€94,980	8%	21%
Operating Profit	€14,662	14%	74%
Pre-tax Profit	€13,455	18%	96%
Post-tax Profit	€14,404	21%	121%
EBITDA	€22,111	7%	56%
Earnings per Ordinary share	€0.480	21%	121%
Return on Average Capital Employed	9.8%	1.1pp	2.9pp
Gearing	28.8%	6.6pp	7.4pp

However, it is perhaps within the beer market that consumer-led changes are most evident, presenting a complex mix of opportunities and challenges as consumers seek out new brands, tastes and experiences. Last year we highlighted that the 'Craft Beer Revolution' was reshaping the local beer market. This trend continued to intensify, which is good news for brewers across the globe.

Consumers are intrigued by the broad range and variety of craft/speciality beers on the market and will often seek out alternatives to the more established mainstream brands. Quality and taste are key attributes when making the final choice, with price playing a lesser role. The craft beers segment is therefore occupying a higher share of the market in terms of value than it does in terms of volume.

The Farsons Group is well-positioned to capitalise on such developments. The commissioning of a state of the art Brewhouse in 2012, and the more recent inauguration of the packaging facilities in 2016, coupled with the skills and experience of our team of brewers and innovation team, allow us to brew and package a range of speciality beers of exceptional quality with premium packaging and convenient package formats. Concurrently, an impressive and increasing line-up of imported craft beers within the FBIC beer portfolio complements the Farsons Brewery speciality beers, resulting in an unrivalled offering to both trade and consumers.

The anti-alcohol drive continued to gain momentum throughout 2017 and the growth in alcohol-avoidance amongst key groups of young people is shaping the future for a number of beer and other alcoholic brands. This trend is likely to continue as young people are avoiding alcohol for 'safety' reasons, and actively seeking out alcohol-free options as a conscious 'opt-in' to smarter life-style choices.

Today's core consumers are highly opinionated, well informed and very brand fickle. Defined as 'Generation Z' , such digitally savvy consumers can not relate to a life without social media and digital technologies. Brand owners and marketers need to adapt their approach to marketing, sales initiatives, platforms and campaigns to remain relevant and stand out in such a highly cluttered market.

In a rapidly evolving society, many lead a busy and hectic life on the go. Time is at a premium and this brings changing consumption patterns and shopping preferences. Entertainment continues to shift from the on-premise sector to one's home. There is increased demand for convenience, whether in shopping locations, shopping times, choice of packaging or in the choice of brands.

These shifts continue to demand of us that we adapt our strategies and tactical initiatives.

"THESE INVESTMENTS CONTINUE TO INCREASE OUR ABILITY TO MEET CURRENT AND FUTURE DISTRIBUTION AND MARKET CHALLENGES, KEY TO OUR CONTINUED SUCCESS"

OPERATIONS AND LOGISTICS HIGHLIGHTS

The year 2017 proved a successful one in terms of operations and we also continued investing in modernising our packaging capabilities, with new filling machinery for kegs and 18.9 litre returnable bottles in a purposely built facility.

The new Keg Plant is capable of filling beer and carbonated soft drinks on the same line, at high speeds. Besides filling in returnable stainless-steel kegs for the local market, it is also capable of handling one-way kegs for export markets.

For the first time the handling of empty and full kegs, previously done manually, is being done with a robotic arm, capable of handling different keg sizes, coupled with a fully integrated inspection camera. The new plant also washes the kegs, both inside and out, and finally sterilises them with steam. An accurate volumetric flow meter controls the filling process whilst the final keg content is further confirmed by weighing. Stringent quality control is ensured during this entire process.

Meanwhile, our new table water filling line is capable of very efficiently filling 18.9 litre or smaller bottles. A second robot is used to palletise and depalletise the bottles.

Certified System Quality ISO 9001 SAI GLOBAL

SAI GLOBAL Food Safety EFSIS

food BRC certificated

Bottles are tested and inspected, fed into the dedicated bottle washer before being sterilised and passed on to the filling station.

The handling of pallets of both kegs and 18.9 litre bottles has also been automated by means of an Automated Guided Vehicle (AGV). This solution was chosen to permit other forklift trucks to transverse the path of the AGV, thereby maximising the utilisation of our floor space. The investment for this new filling plant and equipment will result in reduced operating costs, reduced energy and water consumption, and improved quality. Robot technology for the handling of heavy containers will reduce operator fatigue and the risk of injuries. Moreover, these investments continue to increase our ability to meet current and future distribution and market challenges, key to our continued success.

We have also extended our Logistics Centre, increasing our warehousing capacity by 40%, also thanks to the introduction of a shuttle pallet transfer system resulting in more efficient space utilisation with more intensive pallet racking capacity. This has been complemented by a custom-built wing featuring a number of un/loading bays along with a truck park. All this is rendering our Logistics Centre better equipped to handle all our warehousing and distribution requirements.

The new loading bay is now fully operational.

The semi-automated Radio Shuttle device moves pallets for storage into the new density racking system.

Fully automated handling of pallets by the Automated Guided Vehicle.

An operator retrieving a pallet, arriving from production into the newly built Warehouse Extension for storage.

The EcoPure robot unloading empty 18.9 litre bottles onto the infeed conveyor of the table water line.

The dedicated robotic arm, handling both empty and full beer kegs.

OUR PEOPLE

The Farsons Group invests significantly in training and development, with programmes ranging from technical to management and leadership areas.

During the year some 10,500 hours of training were implemented, across all categories. These included training by specialised training providers, brought over from the UK and Germany to deliver bespoke programmes for Farsons in different technical fields and quality standards. In addition we organised training related to the commissioning of the Beer Packaging Plant and in preparation of the operation of the new Keg Plant.

Employee engagement surveys confirm that our learning and development programme is well received, with 92% of staff stating that they are satisfied with the learning opportunities they have been given. All employees are included in our Performance Management Programme and appraised regularly.

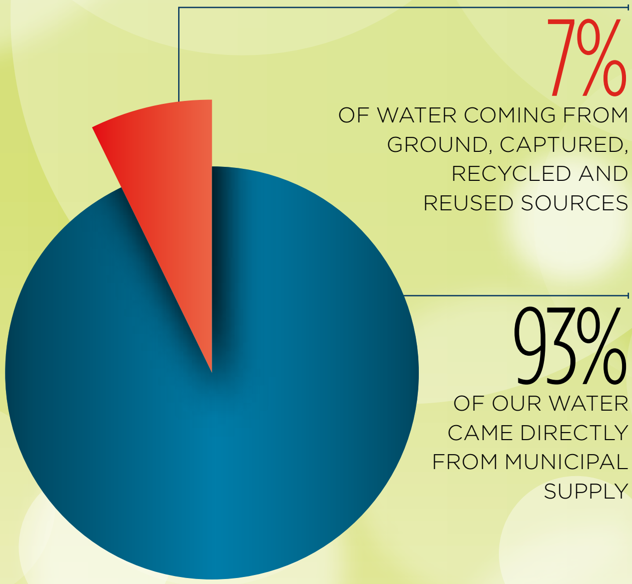
Farsons is certified with the Equality Mark issued by the National Commission for the Promotion of Equality. This is based on our commitment to implement policies and practices related to gender equality and family friendly measures at the workplace.

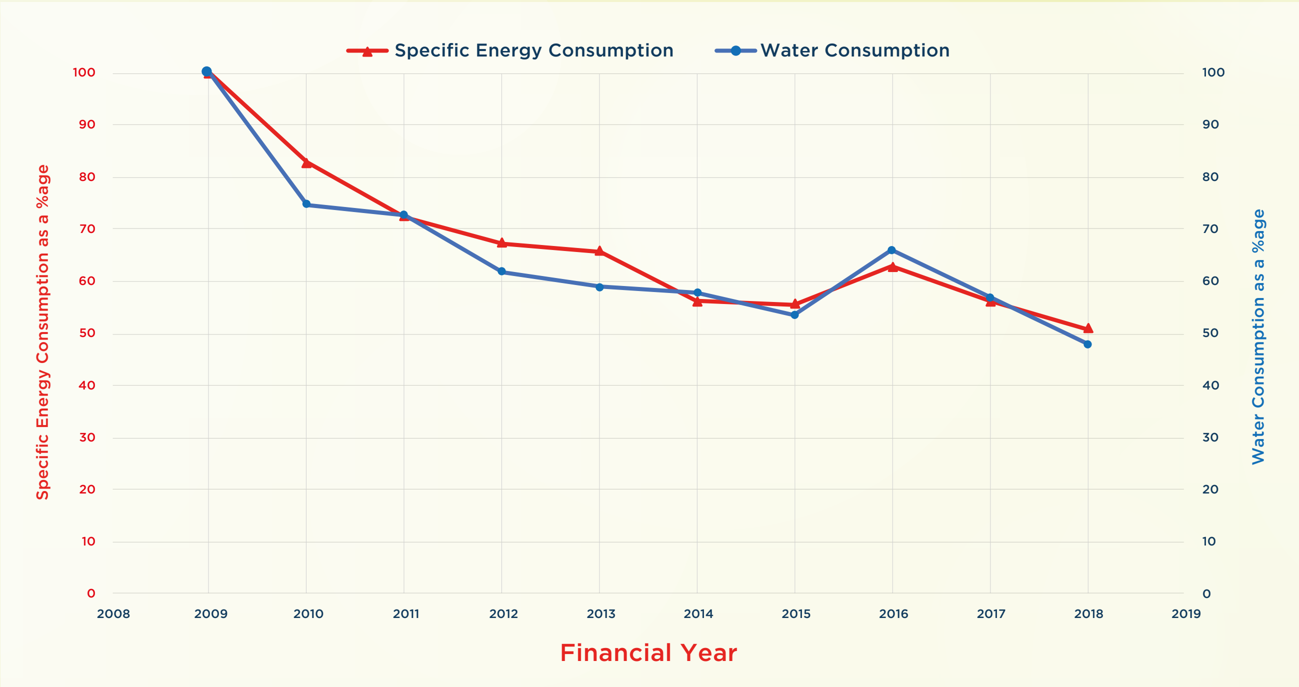
IMPROVING OUR ENVIRONMENTAL PERFORMANCE

We have always been sensitive to the fact that some of our Group's activity may have an impact on the environment, and consequently we take numerous measures to mitigate this, continually aiming to improve on our environmental performance. In fact, over the years, we have increasingly integrated environmental considerations when taking operational and business decisions. This is evidenced by our track record of investments which can be broadly broken down into three areas of focus, namely: water usage, energy efficiency and packaging waste management.

RESPONSIBLE WATER USAGE

Water used in our products goes through extensive filtering purification and treatment processes in order to meet our own high water quality standards. To ensure the most efficient consumption of our water, and that quality standards are optimal, we invested in a new water treatment plant. This was commissioned in 2013 at a cost of €1 million. As a result of this investment, amongst others, we have succeeded in significantly improving the efficiency of water usage and improved quality standards. Over a span of 10 years, we have on aggregate reduced the amount of water used during production by around 52% for every litre of beverage produced.





Part of the Water Treatment Plant.

For many years, Farsons has adopted a responsible approach, with all water destined for manufacture of beverages originating solely from certified potable water supplied via Water Services Corporation. During the year under review, 93% of our water came directly from municipal supply, with the remaining 7% of water coming from ground, captured, recycled and reused sources. With specific reference to ground water, one must note that Farsons has three registered wells all equipped with WSC meters, with only one still in use occasionally.

CLEANER & MORE EFFICIENT ENERGY

Over the years we have made significant investments to render our operations more energy efficient, so much so that our total energy consumption of both electricity and fuel has fallen significantly. Notable investments here include the new packaging facility and more recently the kegging line. We have also seen the installation of more energy efficient equipment within our engine room, with groundwork plans for new boilers, chiller and refrigeration pipework underway.

With energy performance being one of our key performance indicators, we have systematically reduced the amount of energy needed for brewing and beverage production. Over a span of 10 years, we have reduced the amount of energy, measured in megajoules per hectolitre of beverage produced, by 49%.

We have also invested in photo voltaic solar panels, with a total installed capacity of 309 Kilo Watt peak (KWp). From this we generate around 500,000 Kilo Watt hours (KWh) of electricity annually.

At a material additional cost, but on the basis of this being more environmental friendly, we recently opted to switch from Thin Fuel Oil (TFO) to Light Heating Oil (LHO). Our Logistics Centre, which incorporates a sizeable distribution fleet is constantly being modernised with the latest eco-friendly models. The fleet is mainly composed of Euro 4 and 5 standard delivery trucks; over one third of the fleet is currently being replaced by Euro 6 standard models.

PACKAGING WASTE MANAGEMENT

As a result of our investments, and of our efforts to reduce the amount of plastic used in beverage packages, based on 2017 sales volumes, we have managed to reduce the total tonnage of one-way PET bottles placed on the market by 10% over a span of 7 years.

We are members of GreenPak, a licenced packaging waste recovery scheme. As part of our obligation to register with such a scheme, we contribute towards the attainment of a recovery target of 60% and recycling target of 55% of the packaging waste placed in the market. As part of our added commitment, we also sit, and actively participate, on GreenPak's Board.

We are also mindful of Government's recently launched consultation process on the introduction of a Beverage Container Refund Scheme (BCRS). We are prepared to participate in this consultation and to constructively contribute towards finding the most suitable way to deal with the recovery and recycling of packaging waste in a holistic manner. Ultimately the goal is to find fair and sustainable ways to encourage a more 'circular economy' where items are used several times before being discarded.

Here, it is highly pertinent to note that the majority of our beer continues to be offered in returnable/reusable glass bottles and kegs.

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

REVIEW OF BUSINESS SECTORS: BEERS

During the year under review the beer market flourished, registering growth across many market segments, brands and different packages. The Farsons Group was well-prepared and well-positioned to make the most of this positive trend.

The Cisk portfolio, headed by **Cisk Lager**, remained key to our overall performance and did not disappoint. Backed by a strong creative and advertising platform, Cisk Lager proved to be more than a match for the more quirky craft beers which appeared across the market. The campaign which included a new video production, material for print and online and a number of themed events and activities, also extended to large advertising formats such as a fully-wrapped public bus.

Cisk Excel, Malta's first low-carbohydrate beer, launched in 2007, remains one of the fastest growing variants in our Cisk portfolio. This *'better-for-you'* beer enjoys increasing availability and popularity, and the recent venture into draught has proved to be a turning point with Excel now beginning to reach Cisk Lager levels in some market segments.

August 2017 was a crowning point for the Brewery, when **Cisk Pilsner** – our high quality, premium pilsner lager, was voted the '**World's Best Lager – Czech Style Pale**' in the 2017 edition of the World Beer Awards held in London. This outstanding result, awarded by an international panel of beer experts from all over the world, confirms this beer's immense potential and high standards. With two international awards already under its belt, this augurs well for this premium Cisk variant launched in 2016.

A key milestone in the Brewery's calendar is the highly anticipated launch of the **Cisk Chill** range which is traditionally re-released for sale ahead of the high summer season. The Cisk Chill range of flavoured lager beers was further extended in 2017 with the launch of **Cisk Chill Ginger and Lime** – a flavoured beer that strikes the right balance between the spice of ginger and zest of lime, making this brew an ideal thirst quencher.

"CISK LAGER, REMAINED KEY TO OUR OVERALL PERFORMANCE AND DID NOT DISAPPOINT"


MALTA'S FINEST
CISK
LAGER BEER
MALTA'S FINEST
TRADE MARK
CISK
LAGER BEER
SINCE 1929
SINCE 1929
CISK

FARSONS CLASSIC BREWS

The Farsons **Classic Brews** range, launched at the 2016 Farsons Beer Festival, consists of a refined and enriched **Blue Label**, **Farsons Double Red** and **Farsons India Pale Ale**. This year the range was extended through the launch of **Farsons Gold Label** – a celebratory Pale Ale which was launched to mark *90 years of Brewing* by Farsons in Malta.

Blue Label, the most popular Ale in the range, is available in 330 millilitre one-way bottles, and in a smooth and creamy variant, both on draught and in the newly launched 440 millilitre can with an inbuilt widget that allows consumers to experience the smooth and creamy pour in their own homes. Both Blue Label and Double Red were recipients of a number of awards since their relaunch in 2016, with Blue Label striking Gold in the Brussels Beer Challenge in October 2017 following the Silver awarded the year before, and also awarded Bronze in the Australian International Beer Awards held earlier on. Double Red on the other hand was awarded a Silver in the Australian International Beer Awards following the Gold Medal awarded in the 2016 Brussels Beer Challenge. Our participation and success in these highly competitive international beer competitions are a testament to the skills of our team of brewers and serve to reinforce the high quality standards of these brews amongst local and international consumers.

WINNERS

Australian Style Lager	**Amber/ Dark Ale**	**Special/ Best Bitter**	**German Style Pilsner**	**World's Best Lager Czech Style Pale**
CATEGORY		CATEGORY		CATEGORY

These five prestigious awards are a significant achievement and evidence of Farsons brewers' dedication to excellence.


Introducing
FARSONS
GOLD LABEL
Pale Ale
90
YEARS
OF
BREWING
FARSONS
GOLD LABEL
Celebration
PALE ALE
FARSONS CLASSIC BREWS SINCE 1928
THE FAMOUS ORIGINAL RECIPE
FARSONS
90
YEARS
BREWING
Celebrating 90 YEARS OF BREWING

CARLSBERG 40 YEARS IN MALTA

The Farsons' beer portfolio is further complemented and enriched by a number of global brands which are also brewed and packaged at our Brewery. This year marks the 40th anniversary since **Carlsberg**, *Probably the best beer in the world*, started being brewed and marketed by Farsons under license. Carlsberg – a hugely popular and recognisable brand, available in over 150 countries world-wide, plays a leading role in Farsons' beer portfolio, particularly on draught in tourist-frequented localities and also in the take-home market where the brand is present in the best-selling 500 millilitre can and the more recently introduced 330 millilitre sleek can.

Skol, also brewed and distributed in collaboration with Carlsberg International, continues to find favour with the more price-conscious beer consumer and remains a best-seller in the off-trade segment.

INTERNATIONALISATION

Even if our export development plans continue to be challenging, we continued to widen and deepen our presence in both traditional and new markets. During 2017 we exporting to 20 countries as we pursue our strategy and reap the benefits of our substantial investments which are improving our brands' competitive position.

We registered encouraging beers sales growth in Sicily with additional importers and distributors in Messina, Catania, Syracuse, Ragusa and Palermo, strengthening availability and distribution of kegged and bottled packages.

Encouraging growth was also registered in mainland Italy among our long-standing importers in Bari, Naples, Rome and Milan. Cisk Export, Cisk Strong and Farsons Double Red continue to find favour both with trade and consumers. With almost 20 importers in Italy, this is now our largest export market and remains an important area of focus and growth with plans to invest with strategic partners in key cities and regions.

Encouraging beer growth was also registered in South Korea, where Cisk Lager and Blue Label are sold and distributed in bottled and canned packages through leading retail stores in the region. Supported by a relatively significant level of marketing investment, plans are underway to widen and increase product availability and visibility within the take home segment.

Late in the year, Blue Label and Cisk Pilsner were launched in bottles in Gibraltar, where a partnership was secured with Saccone and Speed with whom we have strong historical ties.

A reputable national importer was appointed in Israel, where both Cisk Lager and Cisk Strong are being primarily made available on draught in a growing number of on-premise outlets.

There is on-going effort to widen and deepen our presence in traditional and new markets.

Considerable investment in consumer and trade research was carried out in the UK to identify the right strategy and partner to accelerate beer sales growth and distribution. With two importers and distributors already in place in Manchester and Essex, a determined effort is being made to broaden our distribution and seed our brands through a mix of marketing and brand building initiatives. Online sales via Amazon UK remain robust, with Kinnie registering consistent growth and achieving best seller status within the online soft drink category.

The year also saw the first containers of Cisk Pilsner, Farsons Double Red and Farsons Blue Label being shipped out to the US and distributed in bottles across the States, including Colorado, considered one of the foremost craft beer capitals of the world. With a strong and reputable importer in place, every effort is being made to gain sales presence and momentum.

Our Kinnie franchise operation in Australia also registered positive and profitable growth with the product being distributed in bottles, predominantly in the cities of Sydney and Melbourne. Cisk Lager is also being made available in these markets.

Following an extensive and ongoing rebranding exercise, new opportunities for Kinnie are being evaluated as the revitalised brand and proposition broadens its trade and consumer appeal in Australia and markets such as Poland, the Netherlands and Germany, where importers are already in place.

In 2018, participation at leading international food and beverage fairs, namely Alimentaria in Spain and SIAL in France, provide important platforms to showcase our full portfolio and explore new business opportunities. This drive to widen and deepen our international presence follows a significant restructuring of the export division, with additional human resource to give more focus to the business and deliver our vision of becoming an international player in the food and beverage sectors.

The Farsons stand during Alimentaria 2018, in Barcelona.

KINNIE. THE MEDITERRANEAN CLASSIC.
Since 1952

The brand that's an intrinsic part of Maltese life and is the taste of the Summer, will soon be relaunched with a refreshed brand strategy, a new contemporary visual identity and a multi-channel communications plan.

We've looked at wider world trends, the soft drinks category and listened to consumers across generations and across our islands. The result is a redesigned brand that draws on the unique taste and heritage of Kinnie, taking a positive step forward, whilst making a warm and nostalgic nod to the past.

This is the time when Kinnie makes new friends, opens new doors and surprises and delights consumers. But it's also a time to celebrate simpler times and the lasting value of friendship and family.

New packaging designs will reinforce our premium credentials, new in-store assets will enhance our presence in the aisles, and integrated communications (from outdoor advertising to social media) will invite consumers to rediscover **"The biggest flavour under the sun".**

Everything is new. Yet the bittersweet flavour is reassuringly unchanged.

NON ALCOHOLIC BEVERAGES

The traditional carbonated soft drinks market in many countries, including Malta, continues to face an onslaught of challenges. These range from the intense focus on sugar intake and related health issues, the focus on packaging, particularly PET bottles, and the developing high profile debate on the negative effect of this on the natural environment. There is also a general trend across many consumer groups towards products and brands with more natural and non-traditional ingredients and flavours, as part of an overall journey towards better health and wellness.

As previously announced, Farsons joined many other soft drinks producers and brand owners in Europe and pledged to reduce added sugar content in its soft drinks portfolio by 10% by 2020, thereby contributing to the delivery of the recent European soft drink industry (UNESDA) 10% sugar reduction commitment. We plan to do this through a coordinated and combined programme of reformulation, innovation, education and promotion, and the increased availability of smaller packs.

The retail segment remains highly competitive and price-driven. With more shoppers being motivated by convenience and value for money, price-based promotions are becoming common-place in the local soft drinks market, with an increasing percentage of sales volumes having to be sold 'on promotion' with on-pack pricing becoming common-place in major supermarkets across Malta and Gozo.

"INCREASED TOURISM, FAVOURABLE WEATHER, AND THE ON-GOING YEAR-LONG CALENDAR OF CAMPAIGNS, EVENTS AND ACTIVITIES, HAD A POSITIVE IMPACT ON SALES IN THIS PRODUCT GROUP"

Despite the above negative influences, increased tourism, favourable weather, and the on-going year-long calendar of campaigns, events and activities, had a positive impact on sales in this product group.

Kinnie remains Malta's own favourite soft drink and delivered a very strong set of results. Originally launched in 1952, and having undergone a number of rebranding exercises in the many decades since then, we are unveiling a new look for this much-loved Maltese favourite. This rebranding project has been in progress for many months and has included in-depth research and analysis to ensure that the brand's core authentic identity is maintained. We are confident that the new look will delight many loyal core consumers and will also serve to keep the iconic brand relevant to today's more demanding and discerning consumer groups.

40 YEARS OF PARTNERSHIP BETWEEN PEPSICO AND FARSONS

A number of initiatives in connection with the brands in the **Pepsico** portfolio, namely Pepsi-Cola, 7-Up and Mirinda, plus variants, contributed to an equally positive year for these brands. This is encouraging, as we mark 40 years of association of Pepsico with the Farons Group in Malta later on this year.

With **Pepsi-Cola** now in the 3rd year since becoming an official sponsor of the highly followed UEFA Champions League, this association has played a key-role in the marketing campaigns and promotions for this brand, with on-pack and social-media based promotions garnering high levels of participation and engagement.

"THE ORIGINAL LEMON-LIME BEVERAGE CELEBRATES ITS HERITAGE THROUGH A LIMITED EDITION VINTAGE SERIES ON ITS LABELLING"

The main platform for **7-Up** in 2017 was the vintage campaign which saw the original lemon-lime beverage celebrates its heritage through a limited edition Vintage Series on its labelling. Celebrating a creative heritage that has spanned 88 years, the brand unveiled the 7UP Vintage Series – a commemorative collection of six limited-edition designs inspired by the brand's logos and artwork from past decades, from the 1930s to 1990s.

The water brands in the Farsons' portfolio are headed by **San Michel**, which has established itself as a favourite of many households since its launch many decades ago. A main sponsor of the Malta Marathon for several years, the brand's line-up of packaging continued to benefit from the launch of the innovative, mini-sized, 330millilitre bottle in 2017. Previously only available as a limited edition for the Malta Marathon participants, this national launch was in response to the growing demand for a more convenient and easy to carry bottle size, which is more suited to on the go lifestyles.

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

FARSONS BEVERAGE IMPORTS COMPANY (FBIC)

This has been a positive year for FBIC, with sales growth registered across the portfolio of imported beverages as a result of marketing and sales activities targeting different segments of the market.

In the spirits sector, sales increases were achieved largely through organic growth as well as the introduction of some new products. In the whisky segment, we strengthened our offering on Chivas and Ballantine's through the launch of special expressions: Chivas Mizunara and the single malts Ballantine's Glenburgie and Ballantine's Miltonduff. Jameson's also launched two new variants – Caskmates and Crested – and continued to consolidate its leading position within the Irish Whiskey category, growing in every customer group.

Aperol Spritz maintained its importance as the most popular *aperitivo* in many outlets and we organised a number of Pjazza Aperol Spritz events in various popular squares. In the Absolut range, we introduced a new flavour, Absolut Lime, which was very well liked by bartenders, as well as the latest limited edition Absolut Uncover, a playful bottle which intrigued consumers in bars and clubs. The 'après-sea' programme we developed for Jagermeister retained its popularity on Maltese beaches, whilst in supermarkets, consumers were thrilled to find a new Jagermeister Party Pack. The premium gin category continued to grow and we increased our market share through The Botanist, Plymouth and Sipsmith and introducing the Irish Drumshanbo Gunpowder Gin.

Sales in our portfolio of imported beers also fared well. The Corona Sunsets marketing programme helped push the brand to new heights of popularity and sales. Budweiser, which plays a key role in our beer portfolio, remains one of the most recognised brands on the Maltese market. 2017 saw positive sales for Bud, boosted by its sponsorship of the *Tomorrowland* mega music festival. Taking pole-position in the 2018 edition of the FIFA World Cup, of which Budweiser has been a Main Sponsor since 1986, this brand remains in high demand across all market channels all the year round and is set to have another successful year ahead.

Guinness also maintained a steady growth throughout the whole year and not only during the popular St Patrick's Day events held in Valletta, St Julians and other parts of the island. To widen the brand portfolio, we introduced the Guinness West Indies Porter, one of the special beers in their Brewers Project range. This has strengthened our choice of craft and specialty beers, which, this year, was also extended with two gluten-free beers from the Bellfield Brewery in Edinburgh.

Cider sales were also positive. We introduced our first flavoured variant of Strongbow, Strongbow Dark Fruits, which has been very well received by the market. Bulmers also continued to grow, building on its extensive range of flavours.

"A POSITIVE YEAR FOR FBIC, WITH SALES GROWTH REGISTERED ACROSS THE PORTFOLIO OF IMPORTED BEVERAGES"

Red Bull Energy Drink – providing wings whenever you need them.

We also achieved sales increases in our wine portfolio across all customer groups. Our on-going programme of wine-tasting events, in restaurants, at Farsonsdirect and at other specialised retail outlets, was very successful, with many events being sold out within days. We also ran regular promotions in the major supermarkets which led to increased awareness and sales of our wine brands.

In 2017, we were also proud to be given representation of three highly-ranked global wine brands – Romano dal Forno, Nino Franco and Klein Constantia – which have been very well appreciated by our discerning customers.

Perrier also enjoyed a positive year, boosted by *Extraordinaire Perrier* events around the island which focused primarily on Perrier Lemon and Perrier Lime. In the juices sector, we introduced the excellent range from Alain Milliat, whilst we supplemented our hot beverages range through the launch of Zuma hot chocolates.

Red Bull continued to see sales growth, strengthening its position as the number one energy drink on the Maltese Islands.

FARSONSDIRECT

Farsonsdirect has also performed well; sales have increased and we have continued to attract a growing number of both private and trade clients.

The on-going programme of tutored tastings on wines and spirits, as well as beers, was successful throughout the year, drawing a large number of customers to our shop. Digital social media has been widely used to promote our outlet and its activities as well as to direct increased traffic to online sales through our website.

This year, we invested in improvements to the warehouse of the outlet, with new shelving which will lead to better stock management and allow us to plan further growth for Farsonsdirect.


IT STARTS
WITH
APEROL
SPRITZ


JAMESON
IRISH WHISKEY
BORN IN DUBLIN
RAISED IN MALTA


CAMPARI


JAMESON
IRISH WHISKEY


CELEBRATE THE SPIRIT OF IRELAND
WITH IRISH SPIRIT

FARSONS GROUP
Quintano
FOOD IMPORTERS

QUINTANO FOODS

Notwithstanding the increased competition and evolving market, Quintano Foods to delivered positive growth throughout the year. These improved results were both in the form of improved profitability over the previous year and against budget, as well as increased sales.

Following the strengthening of our management team last year, we have continued to improve efficiency levels. We have seen an increase in sales resulting from growth across all brands and improved contribution levels through better stock management, particularly for products with a very short shelf life.

Our marketing team ensured we rolled out effective marketing campaigns for our brands with particular focus placed on increasing in-store visibility, complemented with a drive to improve numeric market penetration of the brands we represent.

With the aim of improving efficiencies and offering our clients a better service, we embarked on a project to change the Enterprise Resource Planning (ERP) software with a locally developed integrated system which was design specifically for the Fast Moving Consumer Good sector. Following various workshops and preparations, we switched to the new ERP system on the last day of the financial year. This new system is giving us better analytics for future decision-making while also facilitating the smoother flow of operations.

In the snacking sector, we have continued to deliver sales and contribution growth with our more established brands including Walkers, Doritos, Snack-A-Jack and Popz. We have also seen growth in other established chilled products, particularly Tropicana which continues to delivery growth.

"QUINTANO FOODS DELIVERED POSITIVE GROWTH THROUGHOUT THE YEAR"

FARSONS GROUP
Food Chain
RESTAURANTS

FOOD CHAIN

Food Chain delivered yet another very positive year with sales increases across all brands. Guest count as well as the average guest spend has also increased across all brands whilst profitability for the chain of restaurants reached an all time high.

"ANOTHER VERY POSITIVE YEAR WITH SALES INCREASES ACROSS ALL BRANDS"

PIZZA HUT

The remodelling programme of Pizza Hut restaurants continued this year. Our Valletta, Bugibba and Qormi outlets have now been completed with St Julians scheduled for completion later this year. The new look offers a variety of seating styles allowing guests to enjoy a different dining experience on every visit.

The restaurants' new graphic elements celebrate the craft and passion Pizza Hut have for pizza and emphasize the freshness of the dough making process which is prepared daily in-store.

Although our Qormi outlet was originally designed as a Delco store (DELivery and COllection) we have experienced guests choosing to consume pizza on site. For this reason we took the opportunity to improve the dining experience within this store and have updated the look of the dining area which now offers a hybrid service where pizzas are being delivered to the table together with crockery and cutlery.

We have continued to build on our recently launched delivery on-line ordering web portal (www.pizzahut.com.mt) with a loyalty scheme, rewarding our loyal customers with points which are then redeemable for free pizzas. Throughout the year, we have seen a continued shift in order capturing, from telephone to on-line orders.

KFC

Following the remodelling of the Gzira store and the opening of the Mosta Drive Thru', KFC was the food franchise that registered the largest sales growth, with same-store-sales increasing by almost 14% over the previous year.

The Drive Thru service was a main area of focus during the year where our primary objectives to reduce service time and errors when placing orders were successfully met, resulting in an exponential increase in sales, which were higher than the average brand growth for the year.

As with Pizza Hut, the KFC web portal was updated to include online ordering (www.kfc.com.mt). This was well received by our customers as we are seeing a shift towards orders being placed online.

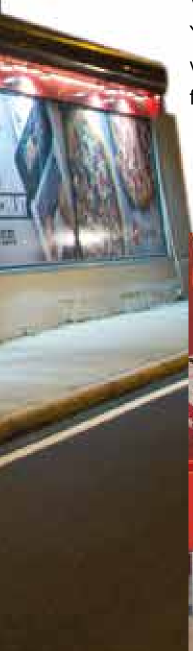
Whilst partnering with St Patrick's Salesians, Sliema and YMCA, Valletta we have extended the KFC Harvest program which offers a commendable alternative to discarding surplus food by donating it to charitable institutions.

BURGER KING

Once again Burger King experienced another positive year, with increasing store sales across all six stores, with the latest additions Mosta and Qormi registering the largest increase in sales. The drive thru' lane continued to deliver increased numbers.

The various value campaign offers launched throughout the year have led to increased footfall and a notable increase in guest count.

Notwithstanding the difficulties in recruiting and retaining suitable staff members, we have seen an improvement in service levels across the outlets. This was gauged through the feedback received through Guest Trac, a system whereby guests are encouraged to leave anonymous feedback on a guest experience portal (www.bk-feedback-uk.com) which is eventually analysed.



Although EcoPure has seen an increase in sales during this financial year, performance was impacted by a voluntary precautionary measure taken in July to recall products from trade due to a technical failure in the filling plant, which necessarily led to an interruption of service and some loss of revenue.

Notwithstanding the adverse effect resulting from the recall and the increased price driven competition, our sales and marketing team stepped up their promotional activities to reassure consumers of EcoPure's high quality standards. Sales were maintained through various promotional media offering convenient water supply packages specifically aimed to each customer segment.

We have invested heavily in a new plant and, in January 2018, commissioned a new state-of the art automated water filling line which is more efficient and reliable, and will ensure that the highest quality standards are maintained.

Given ongoing economic growth, EcoPure is foreseeing further opportunity in this sector and is actively studying the effect of the introduction of the Beverage Container Refund Scheme (BCRS) as this could open up new opportunities for more environmentally friendly returnable bottles. Overall, we will keep focusing on business development, introducing more convenient packages and services to increase sales in new segments.

"WE WILL KEEP FOCUSING ON BUSINESS DEVELOPMENT, INTRODUCING MORE CONVENIENT PACKAGES AND SERVICES TO INCREASE SALES IN NEW SEGMENTS"

"IT GIVES ME GREAT SATISFACTION TO CLOSE OFF THIS YEAR WITH ANOTHER STRONG PERFORMANCE. GIVEN THE CONSISTENT IMPROVEMENT IN OUR RESULTS, WE REMAIN CONFIDENT THAT THIS STRATEGIC DIRECTION, ALONG WITH OUR MARKET RESPONSE, IS THE RIGHT WAY TO GO."

GOING FORWARD

Clearly, we need to remain vigilant and ahead of the curve. Legislation looms in a number of areas, particularly in relation to health and wellness, the environment and alcohol consumption. Consumers are increasingly opinionated and are becoming more informed, demanding variety and convenience at affordable prices – whilst competitors strive to increase their market shares.

Innovation will therefore continue to remain high on our agenda, not only in relation to new product development, but in everything that we create and deliver.

Likewise, we must maintain our focus on internationalising our business. Here we continue to make good progress, even if we do recognise that this direction requires a sustained effort to keep us on track as we venture for further growth overseas.

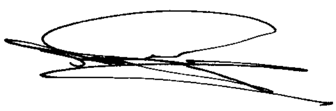
In spite of the growing competitive pressures, we are consistently making headway, even if our resilience is being tested more than ever before. Market realities are constantly challenging us to ensure we retain our competitive advantage. Apart from operating within such an environment, our added focus on innovative and export-led growth has only been possible thanks to our extensive investments over the years. Farsons has an enviable track record as an industry frontrunner in terms of investment, and to sustain this we must continue to push ahead for continued profitable growth.

Without doubt, our portfolio encompasses a number of strong well-positioned brands in various beverage and food sectors. Successful brands of the future will be those which continue to meet evolving consumer needs and wants, and remain relevant to the consumption occasion.

This is a mindset we need to constantly keep in mind as we adjust our product offering and continue to deliver.

It gives me great satisfaction to close off this year with another strong performance. Given the consistent improvement in our results, we remain confident that this strategic direction, along with our market response, is the right way forward.

Certainly, the year – my eight as Group Chief Executive - has had its fair share of challenges, but we have responded well, as attested in this Annual Report. The results which the Farsons Group continues to deliver are only possible thanks to the collective effort of many people. It is therefore fitting that I should conclude by giving due recognition to the great work being done by our workforce, and to the commitment of all our management who have played a leading part in ensuring we continue to attain our objectives. A final note of appreciation also goes to our Board of Directors, particularly our Chairman, Louis A. Farrugia, for all the necessary guidance together with the confidence and support shown throughout the year.



Norman Aquilina
Group Chief Executive
16 May 2018

VISION & MISSION

Our strategy is based 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 to ensure long-term investment and profitable growth.

Thus, we shall accomplish our vision of growing our local and international business to establish the Farsons Group as a regional player within the food and beverage sector.

SIMONDS FARSONS CISK PLC

ANNUAL REPORT

2017/18

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2018

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 January 2018.

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. During 2018, the Group spun-off its property management segment as disclosed in note 1.2.

Review of the business

TRADING PERFORMANCE

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

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

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

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

INFLUENCING FACTORS AND SEGMENTAL PERFORMANCE

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

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

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

Demand across all beverage sectors grew during the year under review and the Company responded in a timely manner in order to serve the market effectively and efficiently, despite growing competition within the local market.

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

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

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

INVESTMENTS

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

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

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

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

PROPERTY INTERESTS AND TRIDENT ESTATES

Spin–off

As a result of the successful spin-off of Trident Estates plc into a separate listed entity and the change in shareholding, the Group has disposed of its property management segment which had been classified as discontinued operations. During the Annual General Meeting held on 27 June 2017, the shareholders approved a resolution to spin-off the company's shareholding in Trident Estates plc through the payment of a dividend 'in kind' by way of a distribution of the Company's shareholding in Trident to the shareholders. Through the distribution of a dividend 'in kind' of €37,211,000, the Company's entire shareholding in Trident Estates Limited was passed on to the shareholders pro rata to the number of shares held in the Company. Trident Estates plc was listed on the Malta Stock Exchange on 30 January 2018.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2019

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

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

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

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

- the reformulation of existing products,
- innovation and introduction of new products,
- increasing the availability of smaller pack sizes,
- investment in the promotion of drinks with reduced or no sugar.

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

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

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

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 for further details.

DIVIDENDS AND RESERVES

The income statements are set out on page 67.

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

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

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

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

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

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

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*
Baroness Christiane Ramsay Pergola
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.)

Mr Roderick Chalmers, Mr Michael Farrugia, Dr Max Ganado and Baroness Christiane Ramsay Pergola 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 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and is available 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 2018, 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 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 LISTING RULE 5.64

Share capital information of the Company is disclosed in note 11 of the financial statements on page 91.

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 2018, the Company is not party to any significant agreement pursuant to Listing Rules 5.64.10.

Furthermore, the Board declares that the information required under Listing Rules 5.64.5 and 5.64.7 is not applicable to the Company.

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.

By Order of the Board

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

Registered address:
The Brewery, Mdina Road, Mrieħel BKR 3000, Malta
Telephone: (+356) 2381 4172

Antoinette Caruana
Company Secretary
16 May 2018

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

This statement is being made by Simonds Farsons Cisk plc (SFC or the Group) pursuant to Art. 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 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, respect for human rights, anti-corruption and bribery matters.

During the year ended 31 January 2018, the Group divested selected property interests forming part of the spin-off of the Trident Group of Companies. These are therefore excluded from the scope of this statement.

Our Business Model

The Farsons Group is located in Malta. Established in 1928, the Group is engaged in the brewing, production and sale and distribution of branded beers and beverages, the importation, wholesale and retail of food and beverages including wines and spirits and the operation of franchised food retailing establishments.

The Group is today made up of SFC as the holding company that is also the manufacturing arm of the Group, and a number of wholly-owned subsidiaries including Farsons Beverage Imports Company Limited, Food Chain Limited, Quintano Foods Limited and EcoPure Limited. With an exceptional portfolio of food and beverage brands, the Group is proud to have been entrusted to represent some of the finest names in the industry. The portfolio includes its own iconic and award-winning range of beers and beverage brands: Cisk Lager, Blue Label Ale, the Kinnie range of soft drinks, San Michel table water and others. As a long-standing partner of some of the world's leading food and beverage groups, Farsons is committed to ensuring that the highest product standards and service are universally applied across its prestigious portfolio in line with its acknowledged reputation for quality and excellence.

SFC is a public company having its registered address at The Brewery, Mdina Road, Mrieħel BKR 3000, Malta. The Company has 30,000,000 ordinary shares of a nominal value of €0.30 each in issue of which (as at the financial year end), 79.32% were held by three major shareholders whilst an aggregate of 20.68% were held by general public shareholders.

The Corporate Governance Statement set out in this Annual Report features a description of the corporate governance structure deployed across the Group, including a detailed account of the role of the Board and its Committees.

The Group generated a turnover of €95 million during the year under review and had 823 (full time equivalent) employees on its books as at 31 January 2018.

At Farsons, we have always recognised our corporate responsibility towards all stakeholders and the wider community. We seek to engage in teamwork, we foster respect and exercise integrity, whilst promoting dynamism and striving for excellence. We are committed to upholding the highest standards of corporate behaviour and as a public listed company, we remain transparent in our position and guided by a strong sense of values where trust is central to all that we do.

Our Commitment to the Environment

The GCE's review provides an overview on the Group's efforts on its environmental performance – most notably in the areas of water usage, energy efficiency and packaging waste management. The review reflects a commitment which is both long recognised and yet very much at the forefront of the Group's objectives.

POLICIES AND RISKS

At the Farsons Group, water, energy, emissions and packaging waste are managed in a coordinated and responsible manner. Significant effort and investment have and continue to be deployed to meet high environmental and emission standards, increase efficiency, reduce waste and secure sustainable use of limited natural resources.

WATER

It is our policy to use water efficiently throughout our operations in the knowledge that water is a very precious resource, particularly in Malta. Recent capital investments made in our brewing and bottling operations have resulted in the significant reduction of water usage, both through plant efficiency and the capture and recycling of water. Our efforts over the past 10 years have allowed us to halve the amount of water used per litre of beverage produced, and we have ambitions to continue to enhance our efficiency ratings further in the years to come.

Almost all the water used in our products and production cycle is acquired either from the Water Services Corporation or through our own water capture and storage facilities. Minimal use is made of bore-hole water (which supply is both licensed and metered). Water used in our products goes through extensive filtering, purification and treatment processes in order to meet our own high water quality standards. A new water treatment plant was commissioned in 2013 at a cost of €1 million.

ENERGY AND GREENHOUSE GAS EMISSIONS

At Farsons we are conscious of our carbon footprint. Our strategy is to implement innovative solutions while driving improvements on a continuous basis. Each new project is evaluated for its efficiency in this regard, and in our ongoing operations at the Brewery, our approach to carbon management is to favour on-site energy generation from renewable sources to the extent possible. This is our commitment – to cut our carbon footprint and help combat air pollution. Recent initiatives have included:

- Discontinuation of use of thin fuel oil in favour of light heating oil;
- Commissioning of an energy-efficient brew house, and high-speed bottling, canning and packaging facilities, as well as the recent commissioning of a new kegging line;
- Increasing the proportion of vehicles in distribution fleet meeting Euro 6 standard requirements;
- Installation of over 2,000m^2 of solar panels;
- Recapture of steam;
- Administration block “green” design.

As a result of the above initiatives, total energy consumption of both electricity and fuel oil for the beverage business has fallen significantly, with the megajoules consumed per hectolitre of beverage produced having been reduced by close to 50% over a ten-year period.

PACKAGING WASTE

Farsons continues to apply a responsible approach to a sustainable and circular economy – reuse, recycle, recover – and this approach extends to the packaging waste that we place on the market, where we have met our declared objective of recovering the majority of the equivalent packaging waste tonnage that we place on the market. Furthermore, notwithstanding increased consumer preference and demand for one-way cans and plastic (PET) bottles (which are catered for through our active participation in waste management schemes), Farsons continues to maintain high levels of production of returnable and reusable glass bottles and kegs.

Our Commitment to our People

POLICIES AND RISKS

At the Farsons Group we have a continuing commitment to improve the quality of life of our employees and their families and of the community and society at large. This awareness is based on the belief that unless we work together, we cannot all achieve more and that for this to happen, we need to encourage a sense of belonging. The Group therefore adopts an approach that “every employee matters and every employee makes a difference”.

TRAINING AND EDUCATION

The Farsons Group invests in the training and development of its employees, with programmes ranging from technical to management and leadership areas. During the year ended 31 January 2018, a total of 10,500 hours of training were implemented across all employee categories. This includes Group employees other than Food Chain crew members, who carry out training requirements as per franchise guidelines. Furthermore, a number of employees are subsidised by the Group to engage in learning programmes that are accredited and lead to recognised qualifications. Paid educational leave is also provided as part of our learning and development strategy.

These learning programmes ensure that employee skills are kept updated to the changing work environment while ensuring employee engagement and satisfaction. Employee engagement surveys consistently confirm that the learning and development programme implemented within Farsons Group are positively received by employees, with 92% of the employee cohort at Simonds Farsons Cisk plc stating that they are overall satisfied with the learning opportunities that they have been given, whilst 89% state that these programmes enable them to carry out their job effectively.

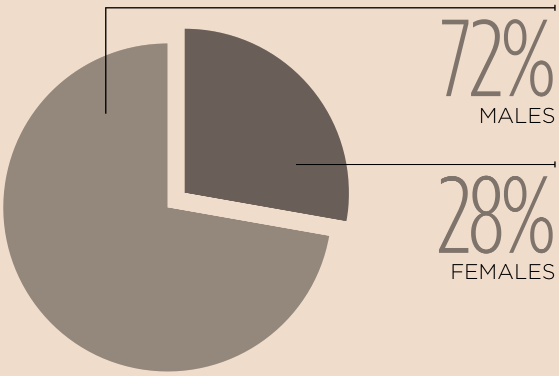
EVALUATION AND APPRAISAL

The total cohort of employees at Farsons Group are included in the Performance Management Programme and involved in a regular appraisal programme. Each employee, regardless of gender or employee category, is included whereby a regular review is held with assigned reviewers to discuss set objectives, the employee’s competences and skills, learning and development needs within a career development framework. Employees and reviewers are involved in regular discussions and evaluation of the above aspects of the programme. Training sessions are also held for reviewers to enable them to develop the right skills and competences to drive the performance review of their team members. Surveys indicate that 80% of staff are satisfied with the way their performance review is carried out.

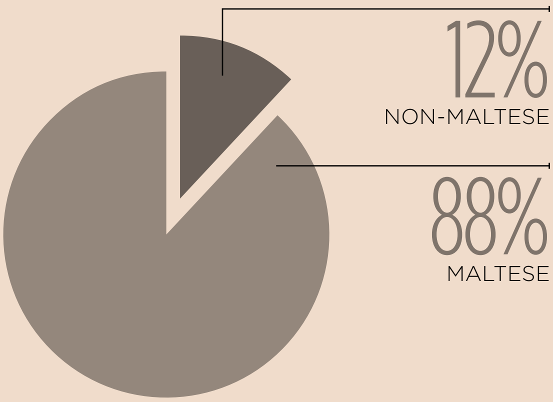
DIVERSITY, INCLUSION AND EQUALITY

Diversity – whether this is defined to include gender, sexual orientation, age, disability, race, religion or other broader criteria – contributes to different viewpoints. The Farsons Group has a long-standing culture of promoting diversity and inclusion and of ensuring pay equity across our employee groups, with a view to guarantee equal pay for equal work. The Equality Mark awarded by the National Commission for the Promotion of Equality is a recognition of the Group's efforts on this score.

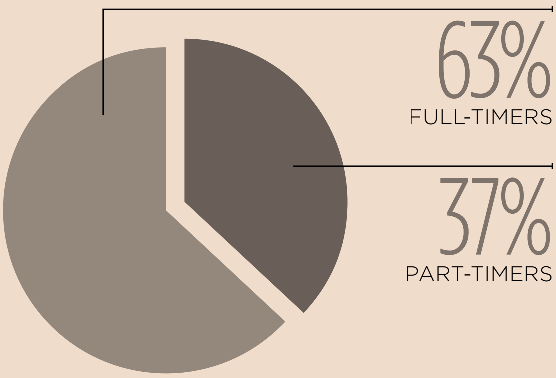
Employees of the Farsons Group by gender



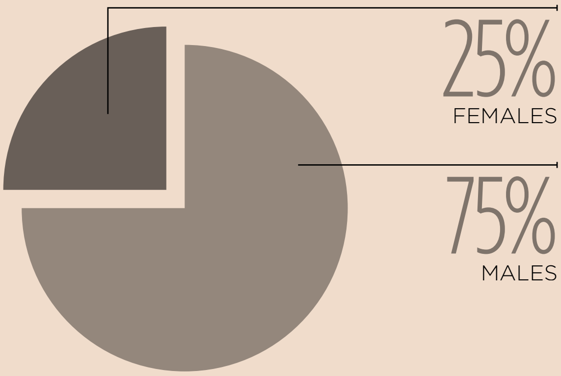
Employees of the Farsons Group by nationality



Employees of the Farsons Group by type of engagement



Governance of the Farsons Group by gender



WORKPLACE SAFETY

The welfare and protection both of our own employees and of our contractors is looked upon seriously at Farsons. We want our customers, employees and contractors to go about their daily business visiting our premises or at the service of the Group feeling safe. In this, we provide an environment that is conducive to health and safety and working conditions that likewise protect and support the health and safety of our workers. We set out detailed plans to prevent, eliminate, minimise, mitigate and hence manage our risks and to meet our legal obligations and duties to support our Occupational Health & Safety policy. All employees at SFC act to prevent injuries and health impairment through:

- Continuous education in order to prevent injuries and impairment of health and improve the Occupational Health & Safety (OH&S) Management System effectiveness;
- Continuous education for safe work on all workplaces in SFC;
- Exploration of new materials and equipment in order to decrease work place risk level;
- Proactive management of changes in OH&S Management System;
- Enabling feeling of safety of employees, subcontractors, and visitors, considering the nature of work and real hazards that exist at every work place.

During this financial year, the Company invested in 5,500 training hours related to the continuous education to prevent injuries and health impairment as well as education for the safe operation of equipment. This training is equivalent to a rounded average of 10 hours of training per person, based on head counts, in the areas specified above.

Our Commitment to wider Society

REDUCING SUGAR CONSUMPTION

It is our commitment to contribute to the European goal of reducing sugar consumption by 10% by 2020. Our progress on reducing added sugars is ongoing, with efforts under way to reformulate many of our existing carbonated soft drinks and introducing new products with no or reduced sugar content. We are also introducing wider choices by adding smaller pack sizes to our range of products. Taking 2017 as our base year, we are pleased to report that by the end of financial year 2019 we are targeting to reduce the volume of sugar in the products we market by 8%. This reduction takes into consideration the reduction of sugar content in beverage products and the total volume of beverage sale forecast for the financial year 2019. We believe that the ready availability of moderation and portion control options, together with the promotion of drinks with reduced or no sugar will allow us to make a meaningful contribution towards reaching our goal.

RESPONSIBLE DRINKING

At the Farsons Group we take pride in our beers and we want people all over the world to enjoy our beers and alcoholic beverages. However, for us it is important that these are enjoyed responsibly. Our long held commitment to a better society seeks to support consumers by promoting moderate consumption, campaigning to prevent drink driving and marketing our products in a responsible manner. We do this by partnering with external organisations within The Sense Group of which we are founding members, to promote responsible drinking. This year's campaign 'Drinking abuse breaks other lives too' reached out to our consumers in an effective way. Responsibility messages were carried with all our digital and TV commercials and with the more important print communication.

PRODUCT SAFETY

Our product safety performance and standards are non-negotiable. All our products are scientifically tested by qualified personnel in a fully equipped laboratory. Our attitude to quality standards is uncompromising and in keeping with this rigorous approach, in July 2017 we decided to voluntarily recall a batch of 19ltr bottled water which was placed on the market and which, exceptionally, fell short of our demanding standards of quality, thereby upholding our promise of producing and delivering quality products to our consumers.

COMMUNITY ENGAGEMENT

The Farsons Group is active in local community engagement through a myriad of initiatives. We lend our support to the Malta Community Chest Fund and its L-istrina appeal as we did with other NGOs of a national stature such as Caritas, Hospice Malta and the Richmond Foundation. We joined other commendable campaigns such as Pink October among others. Staff from the Group volunteer a day's work on 19 March each year in aid of charities to mark Corporate Social Responsibility (CSR) Day. KFC joined the Global Food Donation Program 'Harvest' and have been donating surplus food product to deserving charities in a bid to tackle issues of food waste and hunger.

THE FARSONS FOUNDATION

The Farsons Group set up The Farsons Foundation in 1995 and endowed the Foundation with annual subventions to its budget ever since. The Foundation is, in particular, a strong supporter of Malta's culture, heritage and its industrial heritage. It has developed its ties with the University of Malta and is active in its support of education generally. The Foundation has been a regular promoter of the arts since its inception and likewise, it has been of invaluable assistance in its philanthropic donations.

Respect for human rights, anti-corruption and bribery matters

POLICIES AND RISKS

The Board believes in human rights and is fully committed to uphold and advance the respect for human rights. Human rights allow people to grow and realise their potential and more so, with this, the Group stands to grow too.

The reputational risk associated with human rights, anti-corruption and bribery matters is addressed on a daily basis in that we recognise that we have a responsibility – and therefore strive to set a positive example respecting and promoting human rights throughout our business conduct.

The Group has a zero-tolerance approach to bribery and corruption. Our Code of Conduct is our road map to acting ethically and in compliance with applicable laws. It applies equally to all Farsons Group employees and members of the respective Boards of Directors. Under the Code everyone has an obligation to report suspected violations of the Code, our policies or applicable laws through the grievance procedure or through the established Speak Up policy. New recruits are made aware of the Code at the on-boarding stage and the intranet accessible to employees provides a constant reminder of the Code of Conduct and their obligations thereunder.

ANTI-CORRUPTION AND BRIBERY

The Farsons Group has at no time been involved in allegations relating to corruption and bribery and no incidents of corruption and bribery have been reported or confirmed. Nevertheless, we remain vigilant, and our Code makes it clear that the business decisions of the Farsons Group should never be influenced by corruption. Unethical business practices, including money laundering, are strictly prohibited. In dealing with public officials, other corporations and private citizens, we firmly adhere to ethical business practices. We will not seek to influence others, either directly or indirectly, by paying bribes or kickbacks, or by any other measure that is unethical or that will tarnish our reputation for honesty and integrity.

We mitigate corruption risks and monitor compliance with our Code through systems, procedures and controls that include:

- training on the Code of Conduct with specific focus on anti-corruption and bribery,
- the possibility to report suspected corruption and bribery through our Speak Up Reporting Officers, and
- investigation of all suspected corruption and bribery allegations in connection with an incident management process and escalation policy.

Conclusion

Our journey to continue and improve our commitment to the environment, to society and to human rights is driven by the Board. This is reflected in the way we do things and how we conduct our business on a daily basis. Management continuously seeks to benchmark its achievements in these areas and to enhance its actions for the benefit of the Farsons Group and the communities within which it operates. The Board of Directors regularly monitors Group performance on environmental, public health and human resource matters, as well as adherence to the Group's Code of Conduct.

Approved by the Board of Directors on 16 May 2018 and signed on its behalf by:

Louis Farrugia

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

CORPORATE GOVERNANCE STATEMENT

A. Introduction

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to Listing Rules 5.94 and 5.97 issued by the Listing Authority of the Malta Financial Services Authority and sets out the measures taken to ensure compliance with the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the said rules. In terms of Listing Rule 5.94, SFC is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Listing 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 interests 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 the Code of principles and adopted it.

As demonstrated by the information set out in this statement, together with the information contained in the Remuneration report, 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.

B. 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.

Directors are provided prior to each meeting with the necessary information and explanatory data as may be required by the particular item on the agenda. Comprehensive financial statements are also provided 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.

The Board delegates specific responsibilities to a number of committees, notably the Corporate Governance Committee, the Related Party Transactions Committee, the Audit Committee, the Board Performance Evaluation Committee, the Nomination Committee, the New Ventures/Acquisitions/Mergers 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.

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 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 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 wide 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 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 Nominations 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.)

Non-Executive Directors

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
Baroness Christiane Ramsay 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.

All Directors, other than the Chairman and Mr Michael Farrugia, are considered independent as no shareholder has a controlling interest and has no relationship with management.

The Board has taken the view that the length of service on the Board and the close family ties between Board members who undertake an executive or senior management role in the Company do 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. On the other hand, 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 – *Chairman*	15
Mr Marcantonio Stagno d'Alcontres	11
Marquis Marcus John Scicluna Marshall	13
Dr Max Ganado	10
Mr Roderick Chalmers	15
Ms. Marina Hogg	15
Mr Michael Farrugia	14
Baroness Christiane Ramsay Pergola	9*

** of which 7 meetings were attended by an alternate Director*

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 Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are monitored by the Internal Audit Department.

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 are given in the Annual Report, but as stated earlier, each of the three major shareholders and the public shareholders are represented as far as possible.

Corporate Governance Committee is presided over by the Non-Executive Vice-Chairman. Its terms of reference are to monitor, review and ensure the best corporate practices and report thereon to the Board. Directors and senior officers who want 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.

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 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 Committee is composed of the following Non-Executive Directors:

- Roderick Chalmers – *Chairman*
- Marina Hogg
- Marcus John Scicluna Marshall

The majority of the Directors on the Audit Committee are independent, 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 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 Listing Rule 5.118.

The Audit Committee also approves and reviews the internal audit plan prior to the commencement of every financial year. The Audit 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 2018, the Audit Committee held five meetings. Audit 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 Committees, is present at Audit Committee meetings. The external auditors are invited to attend specific meetings of the Audit 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 Finance Officer are also invited to attend Audit Committee meetings. Members of management may be asked to attend specific meetings at the discretion of the Audit Committee.

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

The Group internal audit department has an independent status within the Group. In fact, the Group internal auditor reports directly to the Audit 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 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 Committee Chairman.

New Ventures/Acquisitions/Mergers Committee, presided over by a Non-Executive Director, examines and reports on any proposal made by the SMB for the setting up of any new ventures, the acquisition of other businesses and entering into mergers with other parties, as well as to recommend policy guidelines thereon.

The Board Performance Evaluation Committee and the Nomination Committee are dealt with under Principle 7 and Principle 8 respectively whilst 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 responsible for advising the Board through the Chairman on all governance matters.

PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE

The role of the ***Board Performance Evaluation Committee*** chaired by a Non-Executive Director, is to deal with the Board's performance evaluation and identify ways how to improve the Board's effectiveness.

The evaluation exercise is conducted every two years 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. During the intermediate year, the Chairman undertakes to assess whether shortcomings identified during the Board performance evaluation process have been addressed and reported accordingly to the Board. 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

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.

The Nomination Committee, chaired by the Chairman 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 Nomination Committee.

Every shareholder owning twelve and a half percent (12.5%) 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 the notes to the financial statements (page 104), 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 this Annual Report.

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

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 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 Remuneration Committees to be available to answer questions, if necessary.

Apart from the AGM, SFC communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing and sending to the shareholders 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 financial statements.

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, 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. The latter may, and do arise on specific matters. In such instances:

- 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 Listing Rules.

The Directors' interests in the share capital of the Company as at 31 January 2018 and as at 16 May 2018 are disclosed in the Shareholder Information.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

The principle 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;
- Commitment to reduce added sugars in its products by 10% by 2020;
- 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.

C. 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".

In the context of the appointment of Directors 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, and on the basis of the Directors non-executive role, the Company does not consider it feasible to have in place such a succession policy. However, the recommendation to have in place such a policy will be kept under review. An active succession policy is however in place for senior executive positions in the Company including that of the Group Chief Executive.

PRINCIPLE 8 (CODE PROVISION 8.A.1):

Code Provison 8.A.1 recommends "The Board of Directors should establish a Remuneration Committee composed of Non-Executive Directors with no personal financial interest other than as shareholders in the Company, one of whom shall be independent and shall chair the Committee". The Company discloses that whereas the majority of members on the Remuneration Committee is made up of Non-Executive Directors, the Chairman does not participate in discussions over matters in which he may have a conflict of interest.

D. Internal control and risk management 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 and associates 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 Company'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 analysis of any variances.

E. 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.

Within six months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the annual consolidated financial statements, the Directors' and Auditor's report for the year, to decide on dividends recommended by the Board, to elect the Directors and appoint the Auditors. 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 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 Listing 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.

Approved by the Board of Directors on 16 May 2018 and signed on its behalf by:

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

REMUNERATION REPORT

1. Terms of Reference and Membership

The Remuneration Committee is presided over by the Chairman of the Company. Its terms of reference are to review from time to time and to report and make recommendations on the Non-Executive Directors' remuneration generally as well as the conditions of service of the Chairman, Group Chief Executive and senior management. In the case of the Chairman or of any remuneration to an individual Director for extra services, the interested Director concerned including the Chairman, apart from not voting in terms of the SFC statute, does not attend the meeting during the discussion at committee or Board level and decisions are therefore taken in his/her absence.

2. Meetings

The Remuneration Committee met twice during the financial year ended 31 January 2018.

3. Remuneration Statement

3.1 SENIOR MANAGEMENT

For the purposes of this Remuneration Statement, references to 'Senior Management' shall mean the Group Chief Executive, the Chief Financial Officer, the Chief Operating Officer, the Chief Business Development Officer, the Group Human Resources Manager and Company Secretary and the Head of Food Business.

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), to carry 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 on the remuneration package, 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 management are set out in their respective contracts of employment with the Company. As a general rule, such contracts, with the exception of that pertaining to the Group Chief Executive, do not contain provisions for termination payments and 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.

In the case of the Group Chief Executive, the Remuneration Committee is of the view that the linkage between fixed remuneration and performance bonus is reasonable and appropriate.

There are no profit sharing, share options or pension benefit arrangements.

The Group Chief Executive is eligible for an annual bonus entitlement by reference to the attainment of pre-established objectives and targets as approved by the Remuneration Committee.

Non-cash benefits to which senior management are entitled are principally the use of a company car and health insurance.

3.2 DIRECTORS

The Board is composed of Executive and Non-Executive Directors. The determination of remuneration arrangements for board members is a reserved matter for the Board as a whole, following the submission of recommendations by the committee.

The Chairman has an indefinite service contract which is periodically reviewed by the rest of the Board. A fixed salary is payable, but at the beginning of each financial year, the Board establishes a number of objectives against the achievement of which a performance bonus may be considered.

Except for the Chairman and for Mr Michael Farrugia no other Director is employed or has a service contract with the Company or any of its subsidiaries.

The remuneration of the other Directors is determined on the basis of their responsibilities, time committed to the Group's affairs, including attendance at regular Board Meetings, serving on boards of subsidiaries and jointly-controlled entities and work done in connection with the various sub-committees of which they are members.

There is no linkage between the remuneration and the performance of Directors.

No Director (including the Chairman) is entitled to profit sharing, share options or pension benefits, and there are no outstanding loans or guarantees provided by the Company or any of its subsidiaries to any Director.

In terms of non-cash benefits, Directors are entitled principally to health insurance and the use of a company car or equivalent.

3.3 TOTAL EMOLUMENTS

The maximum annual aggregate emoluments that may be paid to the Directors is approved by the shareholders in the Annual General Meeting in terms of Article 81(i) of the Company's Articles of Association. This amount was fixed at an aggregate sum of €750,000 per annum at the 69th Annual General Meeting held on 28 June 2016.

The following is an outline of the Directors' remuneration for the financial year under review:

Directors' fees	€253,000
Directors' other emoluments	€265,000
Directors' salary	€67,000

Variable and Non-Variable Emoluments of Directors and Senior Management

	Fixed Remuneration	Variable Remuneration	Share Options	Others
Senior Management	**€501,000**	**€168,000**	**None**	**Non-cash benefits referred to above under 3.1**
Directors	**€517,000**	**€67,000**	**None**	**Non-cash benefits referred to above under 3.2**

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:

- Simonds Farsons Cisk plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 31 January 2018, and of the Group's and the Parent Company's 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, set out on pages 36 to 104, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 January 2018;
- 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 a summary of significant accounting policies.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 the IESBA Code.

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 group and its subsidiaries, in the period from 1 February 2017 to 31 January 2018 are disclosed in note 22 to the financial statements.

Our audit approach

Overview

- Overall group materiality: €673,000, which represents 5% of profit before tax from continuing operations.

- 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 of the Company.

- Recognition of deferred tax asset arising from tax credits relating to the Group and 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	€673,000 (2017: €569,000)
How we determined it	5% of profit before tax from continuing operations
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, profit before tax is the metric against which the performance of the Group is most commonly measured. We chose 5% which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €33,650 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 18*	
The group has recorded a deferred tax asset attributable to unutilised tax credits 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 untilised 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 on all components to enable us to provide an opinion on the consolidated 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 the Chairman's Statement, the Group Chief Executive's review, the Directors' Report, the Statement by the Directors on Non-Financial information, the Remuneration report and the Five Year Record (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the directors' report.

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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, 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).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information that we obtained prior to the date of this auditor's report. 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 opinion.

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, related safeguards.

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 the Statement of Compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

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 set out on pages 51 to 57 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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 that 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 we require for our audit.
  - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed as auditors of the 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 70 years. The Company became listed on a regulated market on 20 December 1995.

PricewaterhouseCoopers
78 Mill Street,
Qormi, Malta

Stefan Bonello
Partner
16 May 2018

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
Non-current assets					
Property, plant and equipment	5	**117,475**	110,889	**110,076**	100,585
Intangible assets	6	**574**	616	**–**	–
Investments in subsidiaries	7	**–**	–	**9,535**	14,352
Deferred tax assets	18	**5,341**	3,486	**6,578**	4,692
Trade and other receivables	9	**3,710**	3,002	**3,710**	3,002
Total non-current assets		**127,100**	117,993	**129,899**	122,631
Current assets					
Inventories	8	**13,652**	14,569	**7,635**	9,281
Trade and other receivables	9	**19,051**	18,316	**18,506**	16,986
Current tax assets		**5**	29	**–**	–
Cash and cash equivalents		**3,720**	768	**1,313**	407
Total current assets		**36,428**	33,682	**27,454**	26,674
Non-current assets classified as held for sale	21	**–**	31,266	**–**	9,057
		36,428	64,948	**27,454**	35,731
Total assets		**163,528**	182,941	**157,353**	158,362

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
Capital and reserves attributable to owners of the company					
Share capital	11	**9,000**	9,000	**9,000**	9,000
Revaluation and other reserves	13, 14	**49,409**	59,146	**46,137**	46,137
Hedging reserve	15	**(495)**	(705)	**(495)**	(705)
Retained earnings		**38,718**	55,830	**41,347**	50,580
Total equity		**96,632**	123,271	**95,989**	105,012
Non-current liabilities					
Trade and other payables	20	**764**	905	**764**	905
Derivative financial instruments	16	**436**	750	**436**	750
Borrowings	17	**33,188**	31,581	**33,188**	31,581
Provisions for other liabilities and charges	19	**64**	–	**64**	–
Total non-current liabilities		**34,452**	33,236	**34,452**	33,236
Current liabilities					
Provisions for other liabilities and charges	19	**56**	36	**56**	36
Trade and other payables	20	**21,507**	18,974	**17,675**	15,902
Current tax liabilities		**910**	570	**–**	–
Derivative financial instruments	16	**325**	335	**325**	335
Borrowings	17	**9,646**	4,382	**8,856**	3,836
Total current liabilities		**32,444**	24,297	**26,912**	20,109
Liabilities directly attributable to non-current assets held for sale	21	**–**	2,137	**–**	5
		32,444	26,434	**26,912**	20,114
Total liabilities		**66,896**	59,670	**61,364**	53,350
Total equity and liabilities		**163,528**	182,941	**157,353**	158,362

The notes on pages 72 to 105 are an integral part of these consolidated financial statements.

The financial statements on pages 65 to 105 were authorised for issue by the board on 16 May 2018 and were signed on its behalf by:

Louis Farrugia

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

Norman Aquilina
Group Chief Executive

INCOME STATEMENTS

		Year ended 31 January			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
Continuing operations:					
Revenue	4	**94,980**	88,119	**50,924**	46,511
Cost of sales	22	**(57,920)**	(53,683)	**(24,802)**	(22,352)
Gross profit		**37,060**	34,436	**26,122**	24,159
Selling and distribution costs	22	**(10,332)**	(10,712)	**(7,628)**	(7,668)
Administrative expenses	22	**(12,066)**	(10,872)	**(7,514)**	(6,288)
Operating profit		**14,662**	12,852	**10,980**	10,203
Finance income	25	**–**	5	**139**	189
Finance costs	26	**(1,207)**	(1,470)	**(1,144)**	(1,417)
Profit before tax		**13,455**	11,387	**9,975**	8,975
Tax income	27	**949**	471	**2,000**	1,196
Profit for the year from continuing operations		**14,404**	11,858	**11,975**	10,171
Discontinued operations:					
(Loss)/profit for the year from discontinued operations	21	**(642)**	274	**19,403**	–
Profit for the year		**13,762**	12,132	**31,378**	10,171
Basic and diluted earnings per share for the year attributable to shareholders arising from:					
– Continuing operations		**€0.480**	€0.395		
– Discontinued operations		**(€0.021)**	€0.009		
	29	**€0.459**	€0.404		

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
Profit for the year		**13,762**	12,132	**31,378**	10,171
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Revaluation surplus, net of deferred tax	13	**–**	4,666	**–**	1,176
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	15	**210**	214	**210**	214
Other comprehensive income for the year		**210**	4,880	**210**	1,390
Total comprehensive income for the year		**13,972**	17,012	**31,588**	11,561
Total comprehensive income attributable to equity shareholders arising from:					
– Continuing operations		**14,614**	16,738	**12,185**	11,561
– Discontinued operations		**(642)**	274	**19,403**	–
		13,972	17,012	**31,588**	11,561

The notes on pages 72 to 105 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 2016		9,000	(919)	54,105	47,273	109,459
Comprehensive income						
Profit for the year		–	–	–	12,132	12,132
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	–	214	–	–	214
Revaluation of property, plant and equipment net of deferred tax	13	–	–	4,666	–	4,666
Net transfers of fair value movements on investment property, net of deferred tax	13	–	–	375	(375)	–
Total comprehensive income		–	214	5,041	11,757	17,012
Transactions with owners						
Dividends relating to 2016 and 2017	12	–	–	–	(3,200)	(3,200)
Balance at 31 January 2017		**9,000**	**(705)**	**59,146**	**55,830**	**123,271**
Balance at 1 February 2017		9,000	(705)	59,146	55,830	123,271
Comprehensive income						
Profit for the year		–	–	–	13,762	13,762
Other comprehensive income:						
Transfer of reserve upon disposal of investment property, net of deferred tax	13	–	–	(9,737)	9,737	–
Cash flow hedges net of deferred tax	15	–	210	–	–	210
Total comprehensive income		–	210	(9,737)	23,499	13,972
Transactions with owners						
Dividends relating to 2017 and 2018						
– paid in cash	12	–	–	–	(3,400)	(3,400)
– paid 'in kind'	12	–	–	–	(37,211)	(37,211)
Total transactions with owners		–	–	–	(40,611)	(40,611)
Balance at 31 January 2018		**9,000**	**(495)**	**49,409**	**38,718**	**96,632**

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2016		9,000	(919)	44,961	43,609	96,651
Comprehensive income						
Profit for the year		–	–	–	10,171	10,171
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	–	214	–	–	214
Revaluation of property, plant and equipment net of deferred tax	13	–	–	1,176	–	1,176
Total comprehensive income		–	214	1,176	10,171	11,561
Transactions with owners						
Dividends relating to 2016 and 2017	12	–	–	–	(3,200)	(3,200)
Balance at 31 January 2017		**9,000**	**(705)**	**46,137**	**50,580**	**105,012**
Balance at 1 February 2017		9,000	(705)	46,137	50,580	105,012
Comprehensive income						
Profit for the year		–	–	–	31,378	31,378
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	–	210	–	–	210
Total comprehensive income		–	210	–	31,378	31,588
Transactions with owners						
Dividends relating to 2017 and 2018						
– paid in cash	12	–	–	–	(3,400)	(3,400)
– paid 'in kind'	12	–	–	–	(37,211)	(37,211)
Total transactions with owners		–	–	–	(40,611)	(40,611)
Balance at 31 January 2018		**9,000**	**(495)**	**46,137**	**41,347**	**95,989**

The notes on pages 72 to 105 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2018	2017	**2018**	2017
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	30	**22,933**	15,513	**18,190**	15,150
Interest received		**–**	5	**139**	189
Interest paid		**(1,207)**	(1,470)	**(1,144)**	(1,417)
Income tax paid		**(833)**	(913)	**–**	–
Net cash generated from operating activities		**20,893**	13,135	**17,185**	13,922
Cash flows from investing activities					
Purchase of property, plant and equipment		**(13,498)**	(18,710)	**(15,533)**	(17,675)
Additions to investment property		**(1,706)**	(1,360)	**(1,596)**	(1,360)
Additions to investment in subsidiary		**–**	–	**(13,002)**	–
Proceeds from disposal of property, plant and equipment		**25**	356	**–**	350
Proceeds from disposal of investment property		**–**	–	**10,650**	–
Cash outflow on spin-off of property segment	21	**(6,228)**	–	**–**	–
Net cash used in investing activities		**(21,407)**	(19,714)	**(19,481)**	(18,685)
Cash flows from financing activities					
Proceeds from non-current borrowings		**322**	9,041	**322**	9,041
Payments of current and non-current borrowings		**(2,273)**	(1,750)	**(2,273)**	(1,750)
Payments for redemption of 6% bonds		**(15,000)**	–	**(15,000)**	–
Proceeds from issue of 3.5% bonds		**20,000**	–	**20,000**	–
Payments of issue costs		**(305)**	–	**(305)**	–
Dividends paid		**(3,400)**	(3,200)	**(3,400)**	(3,200)
Net cash (used in)/generated from financing activities		**(656)**	4,091	**(656)**	4,091
Net movement in cash and cash equivalents		**(1,170)**	(2,488)	**(2,952)**	(672)
Cash and cash equivalents at beginning of year		**(1,322)**	1,166	**(1,157)**	(485)
Cash and cash equivalents at end of year	10, 21	**(2,492)**	(1,322)	**(4,109)**	(1,157)

The notes on pages 72 to 105 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. 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 the non-current asset categories of property, plant and equipment and investment property and except as disclosed in the accounting policies below. 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 (see note 3 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 February 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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 2019. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014 and is effective for accounting periods commencing on or after 1 January 2018. The Group will adopt the standard with a date of initial application of 1 February 2018.

IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. Under IAS 39, all the Group's financial assets – which comprise trade and other receivables and cash and cash equivalents – are classified within the loans and receivables category of financial assets. The Group has determined that these financial assets meet the conditions set out in IFRS 9 to continue to be measured at amortised cost. Other than a mandatory reclassification from loans and receivables to financial assets held in 'hold to collect' business model, the adoption of IFRS 9 will have no impact on the Group's classification and measurement model for financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for issued financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 and have not been changed. The adoption of IFRS 9 will accordingly have no impact on the Group's financial liabilities.

The Group also enters into derivative financial instruments to hedge currency and interest rate risk, as disclosed further in note 2.1(a). The Directors determined that all existing cash flow hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the adoption of IFRS 9 will not have a significant impact on Group's application of hedge accounting.

The standard also introduces a new expected credit losses model for financial assets that replaces the incurred loss impairment model used in IAS 39. This generally results in accelerating provisions for impairment as compared to IAS 39.

IFRS 9 introduces a three-stage impairment model ("the general model"). The first step of the general model is to determine which impairment 'stage' a financial asset sits within. At initial recognition, loans are generally within 'stage 1', which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with the loan to consider if there has been a significant increase since initial recognition. If there has been a significant increase in credit risk the financial asset is moved to 'stage 2'. Financial assets are moved to 'stage 3' when they become credit impaired. As allowance that is reflective of lifetime expected credit loss is recognized for financial assets in stages 2 and 3.

Notwithstanding this change in recognising impairment, the Group qualifies for certain simplifications afforded in IFRS 9 in recognising impairment losses. The Group's trade receivables do not contain significant financing components, and accordingly the Group is required under IFRS 9 to provide for lifetime expected credit loss for all trade receivables, irrespective of whether these have demonstrated a significant increase in credit risk; the Group will estimate the lifetime expected credit loss using a provisions matrix. Under IAS 39, the Group has already recognised specific impairment provisions on those counterparties which have demonstrated objective evidence of being impaired (see note 2.1(b)), and the adoption of IFRS 9 is not expected to have a significant impact on the measurement of these receivables. The Directors expect that impairment provisions on other trade receivables will increase upon the adoption of IFRS 9 as they currently do not attract a provision under IAS 39; the Directors are presently assessing the resultant provision from the application of the provisions matrix.

With respect to its amounts due from third parties (trade loan receivables), the Group will apply the general model in IFRS 9. In determining whether a significant increase in credit risk has occurred, the Group takes into account the third parties' performance and financial position, as well as expected future cash. With respect to these loans, the Group is in the process of assessing and evaluating the impact of IFRS 9.

The Group's cash and cash equivalents are held with local financial institutions with high quality standing or rating. The Group will apply the low credit risk simplification allowed by IFRS 9, through which such balances will be classified within 'stage 1' without the requirement to carry out an assessment of whether there has been a significant increase in credit risk. Under the practical expedient, the Group will estimate the 12-month expected credit loss. The Directors have however determined that the high quality of the financial institutions is such that the adoption of IFRS 9 will not have a material impact on the net carrying amount of these financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when customer obtains control of good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018; the Group will be applying the standard for the time in its financial statements for the year ending 31 January 2019, and the Directors intend to adopt the modified retrospective approach that is allowed by the standard. Under this approach, comparative information in the year of adoption will not be restated.

After taking cognisance of the terms of the Group's contracts with customers, including their short-term nature, the lack of variability in the transaction price, the lack of material rights given to customers, and the lack of significant rights of return, the Directors do not anticipate a significant impact on the Group's results and financial position on adoption of IFRS 15.

Under IFRS 16, 'Leases', 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. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain leases whose term is of not more than one year, as well as leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and although earlier application is permitted, the Group does not intend to adopt the standard earlier than its mandatory effective date. As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in note 31 of the Annual Report. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. At this stage, the Group is still in the process of assessing and evaluating the impact of IFRS 16 on the Group's operating leases, where the Group is the lessee.

1.2 Significant Transaction – Spin-off of Trident Estates plc

Following the approval by the shareholders of Simonds Farsons Cisk (the Company) at the Annual General Meeting held on 27 June 2017, the Board of Directors completed the necessary arrangements concerning the "spin-off" of the Company's shareholding in Trident Estates plc to the Company's shareholders. Pursuant to the Listing Rules, on 18 December 2017, the Listing Authority authorised the admissibility to listing of the Trident Shares.

On 20 December 2017, the Board of Directors declared a net interim dividend of €37,211,000 (equivalent to €1.2403667 per share) that was settled 'in kind' through the distribution of the Company's entire shareholding in Trident Estates plc (being 30,000,000 ordinary shares of a nominal value of €1.00 per share) to the Company's shareholders pro rata to the number of shares held by them in Simonds Farsons Cisk plc at close of business on 21 December 2017.

The Trident shares were admitted to the Official List of the Malta Stock Exchange on 30 January 2018, and trading commenced on the following day. The above transaction had a significant impact on the accounts of the Group, resulting in the distribution to shareholders of an 'in-kind' dividend for the amount of €37,211,000 (note 12).

1.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 (note 1.8).

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 36 to the financial statements.

(b) Jointly–controlled entities

Jointly-controlled entities are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in jointly-controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly-controlled entities includes goodwill identified on acquisition net of any accumulated impairment loss. See note 1.8 for the impairment of non-financial assets including goodwill.

The Group's share of its jointly-controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly-controlled entity.

Unrealised gains on transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly-controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

1.4 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'.

The Group enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions (see note 1.29).

1.5 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. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Freehold land, land held on perpetual emphyteusis 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 (see note 1.8).

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.

1.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group, is classified as investment property. Investment property comprises freehold and leasehold land and buildings, and land and buildings held under long-term operating leases.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. 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 investment property 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. After initial recognition, investment property is carried at fair value representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active, continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those that a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.7 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/jointly-controlled entity or business concern at the date of acquisition. Goodwill on acquisitions of subsidiaries/business concerns is included in intangible assets. Goodwill on acquisitions of jointly-controlled entities is included in investments in jointly-controlled entities. 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.

Franchise and agency rights are initially shown at historical cost. Franchise and agency rights have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise and agency rights over their estimated useful lives (5 to 10 years).

1.8 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.

1.9 Investments in subsidiaries and jointly-controlled entities

In the Company's separate financial statements, investments in subsidiaries and jointly-controlled entities 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 Company gathers objective evidence that an investment is impaired using the same process disclosed in note 1.10.3. The results of associates 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. Loans to subsidiaries for which settlement is planned are classified as loans and receivables in accordance with the requirements of IAS 39.

1.10 Financial assets

1.10.1 Classification

The Group classifies its financial assets, (other than investments in jointly-controlled entities and, only in the Company's case, investments in subsidiaries) in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 1.12 and 1.14).

1.10.2 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. 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 risks and rewards of ownership or has not retained control of the asset.

1.10.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that 'loss event' (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.11 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.

1.12 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.10.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.13 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 and fair valuation of certain non-current assets and derivative contracts. Such deferred tax is charged or credited directly to the revaluation reserve and/or the unrealised fair value gains 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.

1.14 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.

1.15 Discontinued operations and non-current assets held for sale

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or a geographical area of operation or is a subsidiary acquired or created exclusively with a view to resell.

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale/disposal transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. Non-current assets (classified as assets held for sale) are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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 are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. 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 statements of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expired.

1.22 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.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax or other sales taxes, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods – wholesale

Sales of goods are recognised when an entity has delivered products to the customer, the customer has accepted the products and collectability of the related trade and other receivables is reasonably assured. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer. Branded beers, beverages and food products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of goods – retail

Sales of goods are recognised when an entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(c) 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.

(d) Property related income

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

(e) 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.

(f) Dividend income

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

1.24 Operating leases

Where a group company is a lessee

Leases of assets in which a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Where a group company is a lessor

Assets leased out under operating leases are included in investment property in the statement of financial position. These assets are fair valued annually on a basis consistent with similarly owned investment property.

1.25 Finance lease – where the Group is a lessee

The Group has property, plant and equipment acquired under finance leases. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. Finance leases are recognised at the earlier of the lease's commencement or the time when the Group's obligations come into effect.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of 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.

1.26 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.

1.27 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.

1.28 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.

1.29 Derivative financial instruments

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

1.30 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 more recently into 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.

The Group's and Company's loans and receivables, cash and cash equivalents and borrowings are denominated in euro.

On specific transactions the Group uses forward contracts to manage its exposure to fluctuations in foreign currency exchange rates. For financial reporting purposes, the Group designates contracts as fair value hedges or cash flow hedges, as appropriate.

The Group hedges certain major contracted purchases that are made in foreign currency and are payable in a future period by entering into foreign exchange forward contracts covering the cash flow exposure arising from these transactions. Accordingly, the Group meets the criteria for hedge accounting in accordance with the requirements of IAS 39.

At 31 January 2018, the settlement dates on open contracts ranged between nine and eleven months. These derivative contracts had a notional amount of €1,328,000. If as at year end, the above noted currencies had weakened or strengthened against the euro by 5% with all other variables held constant, equity would have been €15,000 and €14,000 respectively lower or higher, mainly as a result of fair value movements on these derivative financial instruments. Such losses or gains in respect of a weakening or a strengthening of the above noted currencies against the euro would mitigate, to the extent of an amount of currency purchases equivalent to the derivative contracts' notional amount as disclosed above, the equivalent gains or losses that would arise upon the actual purchases.

(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 arises from borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to note 17), 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 bank loans and unsecured bonds which are carried at amortised cost (refer to note 17), and therefore do not expose the Group to cash flow and fair value interest rate risk.

Significant exposure to cash flow interest rate risk arises in respect of interest payments relating to borrowings, in particular to loans amounting to €14.5 million (2017: €15.6 million) that are subject to interest at floating rates linked to Euribor. The Group entered into interest-rate swap agreements, which provided 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 hedges 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 arises from cash and cash equivalents, deposits with banks, loans and receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Carrying amounts				
Trade and other receivables (note 9)	**21,633**	20,159	**21,183**	18,628
Cash and cash equivalents (note 10)	**3,720**	768	**1,313**	407
	25,353	20,927	**22,496**	19,035

Group companies bank only with local financial institutions with high quality standing or rating. The Group's operations are principally carried out in Malta and most of the Group's revenues originate from clients based in Malta. The Group has no concentration of credit risk that could materially impact on the sustainability of its operations. However, in common with similar business concerns, the failure of specific large customers could have a material impact on the Group's results.

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are made in cash or via major credit cards. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

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 service delivery terms and conditions are offered. The Group's review includes external creditworthiness databases when available. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

The Group's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

Impairment losses

Trade and other receivables

At Group level, impairment provisions of €3,726,000 (2017: €3,448,000) were in existence at the year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €2,340,000 (2017: €2,842,000). These unsecured overdue amounts consisted of €1,793,000 (2017: €2,444,000) that were less than three months overdue and €547,000 (2017: €397,000) that were greater than three months overdue.

At Company level, impairment provisions of €1,917,000 (2017: €1,566,000) were in existence at the year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €1,002,000 (2017: €1,679,000). These unsecured overdue amounts consisted of €761,000 (2017: €1,455,000) that were less than three months overdue and €241,000 (2017: €223,000) that were greater than three months overdue.

Other receivables

As at year end, impairment provisions of €1,445,000 (2017: €1,655,000) for the Group and the Company were in existence at year end in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €2,187,000 (2017: €2,659,000) for the Group and the Company. The Group and Company hold security of €1,932,000 (2017: €2,623,000) against trade loans of an equivalent amount.

The movement in the provision for impairment in respect of trade and other receivables during the year was as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Balance as at 1 February	**5,103**	4,715	**3,221**	3,165
Movement in provision for impairment	**67**	388	**141**	56
Balance as at 31 January	**5,170**	5,103	**3,362**	3,221

The Group's policy is to recognise impairment losses on all trade receivables exceeding one year, while it recognises impairment losses on other receivables which exceed the contract credit period and that are not expected to be recovered. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at this point the amounts considered irrecoverable are written off against trade receivables directly.

The Group holds collateral as security for a considerable portion of its assets classified as loans and receivables. The Company's receivables also include advances to subsidiaries within the Group on which no credit risk is considered to arise.

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 (refer to notes 17 and 20). 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 2018					
Borrowings	**42,115**	**50,539**	**10,811**	**12,712**	**27,015**
Finance lease liabilities	**720**	**770**	**154**	**616**	**–**
Trade and other payables	**21,353**	**21,353**	**21,353**	**–**	**–**
	64,188	**72,662**	**32,318**	**13,328**	**27,015**
31 January 2017					
Borrowings	35,109	37,538	4,664	27,172	5,702
Finance lease liabilities	854	924	154	616	154
Trade and other payables	18,820	18,820	18,820	–	–
	54,783	57,282	23,638	27,788	5,856
COMPANY					
31 January 2018					
Borrowings	**41,325**	**49,748**	**10,021**	**12,712**	**27,015**
Finance lease liabilities	**720**	**770**	**154**	**616**	**–**
Trade and other payables	**17,521**	**17,521**	**17,521**	**–**	**–**
	59,566	**68,039**	**27,696**	**13,328**	**27,015**
31 January 2017					
Borrowings	34,563	36,993	4,118	27,172	5,702
Finance lease liabilities	854	924	154	616	154
Trade and other payables	15,748	15,748	15,748	–	–
	51,165	53,665	20,020	27,788	5,856

The table below analyses the Group's principal derivative financial liabilities that will be settled on a net basis 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 below are the contractual undiscounted cash flows.

	Within one year	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000
GROUP AND COMPANY				
31 January 2018				
Interest rate derivative				
– Interest-rate swap	**278**	**391**	**46**	**715**
31 January 2017				
Interest rate derivative				
– Interest-rate swap	329	622	129	1,080

The Group's derivatives that will be settled on a gross basis consist principally of forward foreign exchange contracts (note 16). The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis 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.

	Within one year	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000
GROUP AND COMPANY				
31 January 2018				
Foreign exchange derivatives				
– Outflows	**(322)**	**–**	**–**	**(322)**
– Inflows	**263**	**–**	**–**	**263**
	(59)	**–**	**–**	**(59)**
31 January 2017				
Foreign exchange derivatives				
– Outflows	(1,536)	–	–	(1,536)
– Inflows	1,578	–	–	1,578
	42	–	–	42

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 borrowings divided by total capital.

The Group and Company consider total capital to be equity and total borrowings. Total capital is measured by reference to the amounts reflected in the financial statements where the Group's property, plant and equipment and investment property are stated at revalued amounts and fair value amounts respectively.

Total borrowings include unsecured bonds issued by the Company. The gearing ratios at 31 January 2018 and 2017 were as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Total borrowings (note 17)	**42,834**	35,963	**42,044**	35,417
Less cash at hand and in bank (note 10)	**(3,720)**	(768)	**(1,313)**	(407)
	39,114	35,195	**40,731**	35,010
Total equity	**96,632**	123,271	**95,989**	105,012
Total equity and net borrowings	**135,746**	158,466	**136,720**	140,022
Gearing	**28.81%**	22.21%	**29.79%**	25.00%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2018 and 2017 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 non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. 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.

Fair values estimation in relation to financial instruments carried at fair value

The Group's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (note 16).

The Group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly, that is, as prices, or indirectly, that is, derived from prices (level 2);
- Inputs for the asset that are not based on observable market data, that is, unobservable inputs (level 3).

	2018 Level 2 €'000	2017 Level 2 €'000
GROUP AND COMPANY		
Liabilities		
Interest rate derivative		
– Interest–rate swap	**715**	1,080
Foreign exchange derivatives		
– Currency forwards	**46**	5
	761	1,085

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 and 16 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, the operation of franchised food retailing establishments and property management.

During financial year ended 31 January 2015, the Group's Board decided to re-organise the internal structure within the Group, and to 'spin-off' its property interests from the other business activities into a separate and distinct public company. The property management segment was executed from this information in the last quarter of financial year 2018 following its spin-off (note 1.2).

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 is 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 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	Property management	**Group**
	€'000	€'000	€'000	€'000	**€'000**
2018					
Revenue	52,659	33,293	15,526	–	**101,478**
Less: inter-segmental sales	(2,165)	(4,333)	–	–	**(6,498)**
	50,494	28,960	15,526	–	**94,980**
Segment results	10,296	2,689	1,677	–	**14,662**
Net finance costs					**(1,207)**
Profit before tax					**13,455**
Tax income					**949**
Profit from continuing operations					**14,404**
Loss from discontinued operations	–	–	–	(642)	**(642)**
Profit for the year					**13,762**
Segment assets	133,347	18,242	6,592	–	**158,181**
Unallocated assets					**5,347**
Total assets					**163,528**
Segment liabilities	16,660	3,802	2,690	–	**23,152**
Unallocated liabilities					**43,744**
Total liabilities					**66,896**
Additions to non-current assets	13,023	69	401	–	**13,493**
Depreciation	6,131	157	612	–	**6,900**
Amortisation	25	–	42	–	**67**
Impairment provision for trade receivables	(49)	116	–	–	**67**

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Property management	**Group**
	€'000	€'000	€'000	€'000	**€'000**
2017					
Revenue	48,200	31,738	14,457	–	**94,395**
Less: inter-segmental sales	(2,054)	(4,222)	–	–	**(6,276)**
	46,146	27,516	14,457	–	**88,119**
Segment results	9,456	2,080	1,316	–	**12,852**
Net finance costs					**(1,465)**
Profit before tax					**11,387**
Tax income					**471**
Profit from continuing operations					**11,858**
Profit from discontinued operations	–	–	–	274	**274**
Profit for the year					**12,132**
Segment assets	132,179	11,317	4,664	–	**148,160**
Non-current assets held for sale	–	–	–	31,266	**31,266**
Unallocated assets					**3,515**
Total assets					**182,941**
Segment liabilities	14,692	3,992	2,317	–	**21,001**
Liabilities directly attributable to non-current assets held for sale	–	–	–	2,137	**2,137**
Unallocated liabilities					**36,532**
Total liabilities					**59,670**
Additions to non-current assets	18,706	230	628	–	**19,564**
Depreciation	5,837	213	648	–	**6,698**
Amortisation	154	–	42	–	**196**
Impairment provision for trade receivables	109	279	–	–	**388**

5. Property, plant and equipment

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
At 31 January 2016				
Cost or valuation	61,115	14,512	116,496	193,929
Accumulated depreciation and impairment	(6,138)	–	(96,002)	(103,946)
Net book amount	54,977	14,512	20,494	89,983
Year ended 31 January 2017				
Opening net book amount	54,977	14,512	20,494	89,983
Additions and commissioned assets	11,628	(10,213)	18,149	19,564
Disposals	–	–	(1,627)	(1,627)
Depreciation	(1,076)	–	(5,622)	(6,698)
Depreciation released on disposals	–	–	1,623	1,623
Revaluation surplus (note 13)	5,570	–	–	5,570
Transfers to inventories	–	–	(53)	(53)
Transfers from investment property (note 21)	18,422	–	–	18,422
Transfers to investment property (note 21)	(15,895)	–	–	(15,895)
Closing net book amount	**73,626**	**4,299**	**32,964**	**110,889**
At 31 January 2017				
Cost or valuation	73,626	4,299	132,965	212,696
Accumulated depreciation and impairment	–	–	(100,001)	(101,807)
Net book amount	73,626	4,299	32,964	110,889
Year ended 31 January 2018				
Opening net book amount	73,626	4,299	32,964	110,889
Additions and commissioned assets	6,008	3,922	3,563	13,493
Disposals	–	–	(86)	(86)
Depreciation	(1,327)	–	(5,573)	(6,900)
Depreciation released on disposals	–	–	79	79
Closing net book amount	**78,307**	**8,221**	**30,947**	**117,475**
At 31 January 2018				
Cost or valuation	79,634	8,221	136,442	226,103
Accumulated depreciation and impairment	(1,327)	–	(105,495)	(108,628)
Net book amount	78,307	8,221	30,947	117,475

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
COMPANY				
At 31 January 2016				
Cost or valuation	46,430	14,512	95,516	156,458
Accumulated depreciation and impairment	(4,195)	–	(77,686)	(81,881)
Net book amount	42,235	14,512	17,830	74,577
Year ended 31 January 2017				
Opening net book amount	42,235	14,512	17,830	74,577
Additions and commissioned assets	11,537	(10,213)	17,205	18,529
Disposals	–	–	(1,405)	(1,405)
Depreciation	(938)	–	(4,798)	(5,736)
Depreciation released on disposals	–	–	1,401	1,401
Revaluation surplus (note 13)	1,438	–	–	1,438
Transfer from non-current assets held for sale (note 21)	11,781	–	–	11,781
Closing net book amount	**66,053**	**4,299**	**30,233**	**100,585**
At 31 January 2017				
Cost or valuation	66,053	4,299	111,316	181,668
Accumulated depreciation and impairment	–	–	(81,083)	(81,083)
Net book amount	66,053	4,299	30,233	100,585
Year ended 31 January 2018				
Opening net book amount	66,053	4,299	30,233	100,585
Additions and commissioned assets	8,534	3,922	3,077	15,533
Disposals	–	–	(11)	(11)
Depreciation	(1,198)	–	(4,844)	(6,042)
Depreciation released on disposals	–	–	11	11
Closing net book amount	**73,389**	**8,221**	**28,466**	**110,076**
At 31 January 2018				
Cost or valuation	74,587	8,221	114,382	197,190
Accumulated depreciation and impairment	(1,198)	–	(85,916)	(87,114)
Net book amount	73,389	8,221	28,466	110,076

As at 2018, assets in course of construction mainly relate to works carried out during financial years 2017 and 2018 on the extension of the Logistics Centre, truck depot and the kegging line project.

Bank borrowings are secured by the Group's and Company's property, plant and equipment (note 17).

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.

Following the spin-off of Trident Estates plc, whose shares were effectively listed on the Malta Stock Exchange on 30 January 2018, investment property previously owned by the Group and classified as 'Non-current assets classified as held for sale' have been transferred to the Group's shareholders (note 1.2).

As at 31 January 2018, 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 2018 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.

All the recurring property fair value measurements at 31 January 2018 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 2018.

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. 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 meter 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 meter (also in respect of comparable properties as described in the case of the sales comparison approach) and a capitalisation rate (applied at 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 of €59.3 million attributable to this group of properties were deemed necessary.

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

Description by class based on highest and best use	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2018				
Current use as manufacturing or related premises	59,291	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	17,446	Sales comparison approach	Sales price per cubic metre	175 – 250
		Capitalised rentals approach	Rental rate per square metre	120 – 130

	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2017				
Current use as manufacturing or related premises	51,035	Discounted cash flow approach	Discount rate	8%
		Capitalised rentals approach	Rental rate per square metre	100
Current use as commercial premises	23,280	Capitalised rentals approach	Rental rate per square metre	80 – 246
		Sales comparison approach	Sales price per cubic metre	175 – 250
		Discounted cash flow approach	Rental rate per square metre	65 – 337
Developable as extended–commercial premises	9,054	Discounted cash flow approach	Annual net cash flows per square metre	175 – 300
Developable land for mixed use/commercial use	21,426	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 annualized 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 annualized 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. The Group is expected to vacate those properties which it currently partly uses.

As at 31 January 2018, the carrying amount of land and buildings would have been €39,542,000 (2017: €34,861,000) 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 22 are included in the income statements as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cost of sales	**4,564**	4,420	**3,905**	3,713
Selling and distribution costs	**1,437**	1,449	**1,320**	1,276
Administration expenses	**899**	829	**817**	747
	6,900	6,698	**6,042**	5,736

In 2017, the Company and the Group entered into agreements for the supply and leasing of operational equipment. Due to certain contractual obligations in favour of the lessor which emanate from the lease contract, the Directors consider this contract as a financing arrangement. Accordingly, the Company and the Group has recognised the equipment being installed as an asset with the corresponding amounts due as a finance lease.

6. Intangible assets

	Goodwill	Franchise & agency rights	Total
	€'000	€'000	€'000
GROUP			
At 31 January 2016			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,610)	(5,385)
Net book amount	283	375	658
Year ended 31 January 2017			
Opening net book amount	283	375	658
Amortisation	–	(42)	(42)
Closing net book amount	**283**	**333**	**616**
At 31 January 2017			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,652)	(5,427)
Net book amount	283	333	616
Year ended 31 January 2018			
Opening net book amount	283	333	616
Amortisation	–	(42)	(42)
Closing net book amount	**283**	**291**	**574**
At 31 January 2018			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,694)	(5,469)
Net book amount	283	291	574

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Amortisation of €42,000 (2017: €42,000) 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:

	2018	2017
	€'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 2018, 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.

7. Investments in subsidiaries

	Company	
	2018	2017
	€'000	€'000
Year ended 31 January		
Opening net book amount	**14,352**	13,706
Additions	**13,002**	646
Disposals (note 21)	**(17,808)**	-
Write-off of investment in subsidiaries	**(11)**	-
Closing net book amount	**9,535**	14,352
At 31 January		
Cost	**13,616**	18,433
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**9,535**	14,352

Additions for 2018 relate to the capital contribution made by the Company for the restructuring of the share capital of Trident Estates plc prior to spin-off. On 20 December 2017, the Company distributed this investment to its shareholders (note 1.2).

Additions for 2017 relate to intragroup transfers of shares in subsidiaries in relation to the 'spin-off' of the Group's property division.

The principal subsidiaries at 31 January 2018 all of which are unlisted, are disclosed in note 36 to these financial statements.

8. Inventories

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**3,238**	4,494	**2,918**	4,249
Finished goods and goods for resale	**7,840**	7,510	**2,444**	2,772
Containers and other stocks	**2,574**	2,565	**2,273**	2,260
	13,652	14,569	**7,635**	9,281

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

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cost of sales	**774**	985	**632**	804
Selling, distribution and administrative expenses	**110**	84	**110**	84
	884	1,069	**742**	888

9. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**3,710**	3,002	**3,710**	3,002
Current				
Trade receivables	**14,810**	12,818	**8,000**	6,889
Amounts due from subsidiaries	**–**	–	**8,042**	5,412
Indirect taxation	**62**	65	**–**	–
Other receivables	**3,051**	4,274	**1,431**	3,325
Prepayments and accrued income	**1,128**	1,159	**1,033**	1,360
	19,051	18,316	**18,506**	16,986
Total trade and other receivables	**22,761**	21,318	**22,216**	19,988

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

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**5,170**	5,103	**3,362**	3,221

The impairment provision for trade and other receivables is disclosed in note 22 and is included under selling and distribution costs in the income statements.

Amounts due to the Company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €4,070,000 (2017: €4,087,000) which are subject to an average interest rate of 4.75% (2017: 4.75%). 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.

10. 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	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**3,720**	768	**1,313**	407
Bank overdrafts	**(6,212)**	(2,110)	**(5,422)**	(1,564)
	(2,492)	(1,342)	**(4,109)**	(1,157)

11. Share capital

	Company	
	2018	2017
	€'000	€'000
Authorised:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000
21,000,000 preference shares of €1.00 each	**21,000**	21,000
	30,000	30,000
Issued and fully paid:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000

12. Dividends paid

	Company	
	2018	2017
	€'000	€'000
Interim dividend	**1,000**	1,000
Final dividend	**2,400**	2,200
Dividends paid in cash	**3,400**	3,200
Interim dividend – paid in kind	**37,211**	–
Total net dividend	**40,611**	3,200
Euro per share (net)	**€1.35**	€0.11

The final dividend of €2,400,000 in respect of the year ended 31 January 2017 was announced to the ordinary shareholders on 27 June 2017. These final dividends were paid out of tax exempt profits. A net interim dividend of €1,000,000 (€0.0333 per share) in respect of the year ended 31 January 2018 was announced on 27 September 2017, and paid to the ordinary shareholders on 18 October 2017. At the forthcoming Annual General Meeting, a final net dividend of €2,600,000 (€0.09 per share) in respect of the financial year ended 31 January 2018 is to be proposed.

On 20 December 2017, the company declared a net interim dividend (paid in kind) of €37,211,000 (€1.2403667 per share) through the distribution the Company's entire shareholding in Trident Estates plc being 30,000,000 ordinary shares of €1 each (note 1.2).

These financial statements do not reflect the proposed final dividend for 2018 of €2,600,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2019.

13. Revaluation reserve

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current assets				
At beginning of year, before deferred tax	**50,325**	43,827	**37,933**	36,495
Fair value gains	**–**	6,498	**–**	1,438
Release upon disposal of investment properties	**(11,562)**	–	**–**	–
	38,763	50,325	**37,933**	37,933
Deferred taxation (note 18)	**(4,917)**	(6,742)	**(4,062)**	(4,062)
At 31 January	**33,846**	43,583	**33,871**	33,871

Following the spin-off of the Group's property division (note 1.2), related unrealised fair value reserves amounting to €9.7 million (net of deferred tax of €1.8 million) were realised and transferred to retained earnings.

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.

14. Other reserves

	Share premium	Other unrealised reserve	Incentives and benefits reserve	Capital redemption reserve	Total
	€'000	€'000	€'000	€'000	€'000
GROUP					
At 31 January 2017 and 31 January 2018	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
COMPANY					
At 31 January 2017 and 31 January 2018	**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 at a price to the existing shareholders 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.

15. 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:

	Currency derivatives	Interest rate swap	Total
	€'000	€'000	€'000
GROUP AND COMPANY			
At 31 January 2016			
Gross amounts of losses	27	1,386	1,413
Deferred taxes (note 18)	(9)	(485)	(494)
	18	901	919
Movement for the year ended 31 January 2017			
Losses from changes in fair value	143	1	144
Deferred taxes (note 18)	(51)	–	(51)
	92	1	93
Transferred to statement of comprehensive income (notes 24 and 26)	(165)	(307)	(472)
Deferred taxes (note 18)	58	107	165
	(107)	(200)	(307)
At 31 January 2017			
Gross amounts of losses	5	1,080	1,085
Deferred taxes (note 18)	(2)	(378)	(380)
	3	702	705
Movement for the year ended 31 January 2018			
Losses/(gains) from changes in fair value	133	(66)	67
Deferred taxes (note 18)	(46)	23	(23)
	87	(43)	44
Transferred to statement of comprehensive income (notes 24 and 26)	(92)	(299)	(391)
Deferred taxes (note 18)	32	105	137
	(60)	(194)	(254)
At 31 January 2018			
Gross amounts of losses	46	715	761
Deferred taxes (note 18)	(16)	(250)	(266)
	30	**465**	**495**

The net fair value losses recognised in equity at 31 January 2018 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.

16. 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 LIABILITIES	
At 31 January 2018	
Interest rate derivative	
– interest–rate swap	**715**
Foreign exchange derivatives	
– currency forwards	**46**
Total recognised derivative liabilities	**761**
At 31 January 2017	
Interest rate derivative	
– interest–rate swap	1,080
Foreign exchange derivatives	
– currency forwards	5
Total recognised derivative liabilities	1,085

The above are included in the statements of financial position under the following classifications:

	2018	2017
	€'000	€'000
DERIVATIVES FINANCIAL LIABILITIES		
Non-current	**436**	750
Current	**325**	335
	761	1,085

(a) 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 €12.4 million matching the principal amount of an equal value specific bank loan. As at year end the Company had effected actual drawdowns of €12.01 million. 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 loan.

During the financial year ended 31 January 2011, the Company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €10 million matching the principal amount of an equal value specific loan. As at year end, the remaining unpaid portion of this loan amounted to €2.5 million. 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 2.74% with variable interest amounts receivable based on the 3 month floating Euribor rate. The derivative expires in 2020, thus matching with the terms of loan.

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.

Gains and losses recognised in the hedging reserve in equity (note 15) on the interest rate swap contracts as of 31 January 2018 will be released to the income statements over the period until maturity of the contracts.

(b) Foreign exchange derivatives

Currency forwards

The currency forward contracts outstanding as at 31 January 2018 had a notional value of USD850,000 and GBP500,000 with an average contracted rate of €1:USD1.1350 and €1:GBP0.8680. The related fair value of outstanding forward contracts as at 31 January 2018 amounted to a net liability of €46,546.

These contracts mature within a period of one to twelve months from the end of the reporting period and within the same period of time the forecast transactions designated as items being hedged by this contract were expected to affect the income statements.

17. Borrowings

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current				
Bonds	**19,705**	14,985	**19,705**	14,985
Bank loans	**12,898**	15,876	**12,898**	15,876
Finance lease liabilities (note 31)	**585**	720	**585**	720
	33,188	31,581	**33,188**	31,581
Current				
Bank overdrafts	**6,212**	2,110	**5,422**	1,564
Bank loans	**3,300**	2,138	**3,300**	2,138
Finance lease liabilities (note 31)	**134**	134	**134**	134
	9,646	4,382	**8,856**	3,836
Total borrowings	**42,834**	35,963	**42,044**	35,417

The bonds are disclosed at the value of the proceeds less the net book amount of the issue costs as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Face value of bonds				
3.5% Bonds 2017 – 2027	**20,000**	-	**20,000**	-
6.0% Bonds 2017 – 2020	**–**	15,000	**–**	15,000
	20,000	15,000	**20,000**	15,000
Issue costs	**305**	384	**305**	384
Accumulated amortisation	**(10)**	(369)	**(10)**	(369)
Net book amount	**295**	15	**295**	15
Amortised cost	**19,705**	14,985	**19,705**	14,985

Following the Board decision taken on 1 April 2010, the Company issued an aggregate principal amount of €15 million Bonds (2017 – 2020), having a nominal value of €100 each, bearing interest at the rate of 6.0% per annum. These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 10 May 2010. On 12 September 2017, the Directors exercised the early redemption of the bond and redeemed €15,000,000 6.0% bonds.

By virtue of an offering memorandum dated 31 July 2017, the Company issued unsecured bonds of €20 million 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 2018 for the 3.5% Bonds 2017 – 2027 was €106.

The Group's and the Company's banking facilities as at 31 January 2018 and 2017 amounted to €58,544,000 and €48,250,000 for the Group, and €50,213,000 and €40,350,000 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	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
At floating rates	**20,724**	17,689	**19,934**	17,143
At fixed rates	**22,110**	18,274	**22,110**	18,274
Total borrowings	**42,834**	35,963	**42,044**	35,417

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 16).

The weighted average effective interest rates at the end of the reporting period were as follows:

	Group		Company	
	2018	2017	**2018**	2017
	%	%	**%**	%
Bank overdrafts	**4.59**	4.52	**4.60**	4.60
Bank loans	**2.37**	2.48	**2.37**	2.48
Bonds	**3.50**	6.00	**3.50**	6.00
Finance lease liabilities	**2.30**	2.30	**2.30**	2.30

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, see note 2.

Finance lease liabilities of the Company and the Group relate to the financing of the operational equipment classified under property, plant and equipment. Refer to note 31 for disclosure of the finance lease arrangements, security and commitments.

18. Deferred taxation

The movement in the deferred tax account is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
At beginning of year	**(1,661)**	(2,105)	**(4,692)**	(3,872)
Credited to income statements (note 27)	**(1,969)**	(574)	**(2,000)**	(1,196)
Debited directly in equity	**–**	904	**–**	262
Net tax effect of re–measurement of derivatives	**114**	114	**114**	114
De-recognition of liabilities attributable to the spin-off of the property division (note 21)	**(1,825)**	-	**-**	-
At end of year	**(5,341)**	(1,661)	**(6,578)**	(4,692)
Disclosed as follows:				
Continuing operations	**(5,341)**	(3,486)	**(6,578)**	(4,692)
Discontinued operations	**–**	1,825	**–**	–
At end of year	**(5,341)**	(1,661)	**(6,578)**	(4,692)

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% (2017: 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% (2017: 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 has reassessed the extent to which the related deferred tax may be utilised in the foreseeable future. This assessment resulted in a further recognition of deferred tax credits on investment aid of €1,622,000 (2017: €1,359,000). This amount was credited to the income statement under continuing operations.

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 €1,301,000.

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 2016	4,060	(10,028)	13	76	5,285	(1,511)	(2,105)
Income statements	407	(1,359)	–	18	553	(193)	(574)
Equity	–	–	114	–	904	–	1,018
At 31 January 2017	4,467	(11,387)	127	94	6,742	(1,704)	(1,661)
At 1 February 2017	4,467	(11,387)	127	94	6,742	(1,704)	(1,661)
Income statements	(211)	(1,622)	–	–	–	(136)	(1,969)
Equity	–	–	114	–	–	–	114
De-recognition	–	–	–	–	(1,825)	–	(1,825)
At 31 January 2018	**4,256**	**(13,009)**	**241**	**94**	**4,917**	**(1,840)**	**(5,341)**
COMPANY							
At 1 February 2016	4,261	(10,028)	(466)	93	3,800	(1,532)	(3,872)
Income statements	232	(1,359)	–	–	–	(69)	(1,196)
Equity	–	–	114	–	262	–	376
At 31 January 2017	4,493	(11,387)	(352)	93	4,062	(1,601)	(4,692)
At 1 February 2017	4,493	(11,387)	(352)	93	4,062	(1,601)	(4,692)
Income statements	(294)	(1,622)	–	–	–	(84)	(2,000)
Equity	–	–	114	–	–	–	114
At 31 January 2018	**4,199**	**(13,009)**	**(238)**	**93**	**4,062**	**(1,685)**	**(6,578)**

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 2018, the Group and the Company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Unutilised tax credits	**59,030**	6,570	**59,030**	6,570

The increase in unutilised tax credits in 2018 of €52 million is principally attributable to conversion tax credits (note 27) which were granted to the Company upon the issue of the related legal notice.

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 and conversion tax credits of €59,030,000. €29,030,000 relate to investment tax credits which have no expiry date while €30,000,000 relate to conversion tax credits which expire in 2020.

19. Provisions for other liabilities and charges

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Termination benefit provisions				
At 1 February	**36**	54	**36**	54
Charged to profit and loss	**156**	41	**156**	41
Utilised during the year	**(72)**	(59)	**(72)**	(59)
At 31 January	**120**	36	**120**	36

The Company has 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 2018 total €156,000 while for 2017 total €41,000 (note 22). It is anticipated that €56,000 (2017: €30,000) of the provision will be paid during the financial year ending 31 January 2019.

20. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current				
Capital and other payables	**764**	905	**764**	905
Current				
Trade payables	**5,288**	5,128	**1,924**	1,357
Capital and other payables	**6,142**	4,912	**5,238**	4,405
Amounts due to subsidiaries	**–**	–	**3,556**	3,902
Amounts owed to related parties	**583**	–	**218**	–
Indirect taxes and social security	**1,911**	1,532	**1,470**	901
Accruals and deferred income	**7,583**	7,402	**5,269**	5,337
	21,507	18,974	**17,675**	15,902
Total trade and other payables	**22,272**	19,879	**18,439**	16,807

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 2018, capital and other payables include institutional grants amounting to €918,000 (2017: €1,059,000) relating to funds advanced directly by the Government of Malta or other institutions to the Group, co-financing its capital expenditure on the property, plant and equipment. The non-current portion of deferred institutional grants amounted to €764,000 (2017: €905,000). 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. The impact of these grants on the current year's results are disclosed in note 22.

21. Discontinued operations and non-current assets (and related liabilities) held for sale

The assets relating to the property management segment have been presented as held for sale following the approval of the Group's management in the third quarter of 2015 to re-organise the corporate structure of the Farsons Group, and to 'spin-off' the Group's property interests from the other business activities into a separate and distinct public company. The shareholders approved the 'spin-off' on 27 June 2017 and mandated the Board to execute this transaction when the necessary conditions required for the completion of this transaction are satisfied. The Board approved the actual 'spin-off' on 20 December 2017 (note 1.2).

Assets of disposal group classified as held for sale

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Property, plant and equipment (note 5)	**–**	13	**–**	–
Investment property	**–**	31,169	**–**	9,054
Investments in jointly-controlled entities	**–**	12	**–**	3
Trade and other receivables	**–**	37	**–**	–
Cash and cash equivalents	**–**	20	**–**	–
Current tax asset	**–**	15	**–**	–
Non-current assets held for sale	**–**	31,266	**–**	9,057

Liabilities of disposal group classified as held for sale

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Deferred tax (note 18)	**–**	1,825	**–**	–
Trade and other payables	**–**	284	**–**	5
Current tax liabilities	**–**	28	**–**	–
Liabilities directly attributable to non-current assets held for sale	**–**	2,137	**–**	5

In accordance with IFRS 5, the assets and liabilities held for sale were re-measured to their fair value less costs to sell of €165,000 (2017: €375,000) (net of deferred tax). This is a non-recurring fair value which has been measured using unobservable inputs, as disclosed in note 5 under fair value of property, and is therefore within level 3 of the fair value hierarchy.

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Investment property				
Year ended 31 January				
Opening net book amount	**31,169**	31,407	**9,054**	19,475
Additions	**1,706**	1,361	**1,596**	1,360
Disposals	**(33,040)**	–	**(10,650)**	–
Fair value adjustments (note 13)	**165**	928	**–**	–
Transfers from property, plant and equipment (note 5)	**–**	15,895	**–**	–
Transfer to property, plant and equipment (note 5)	**–**	(18,422)	**–**	(11,781)
Closing net book amount	**–**	31,169	**–**	9,054

Design and development works related to the Trident Park project progressed in 2018 and amounted to €1.7 million.

An analysis of the results of the related discontinued operations, and the results recognised on the re-measurement of assets, is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Revenue	**351**	295	**–**	–
Cost of sales	**(220)**	(207)	**–**	–
Gross profit	**131**	88	**–**	–
Administrative expenses	**(467)**	(65)	**–**	–
Investment income	**–**	11	**–**	–
(Loss)/profit before tax from discontinued operations	**(336)**	34	**–**	–
Tax expense (note 27)	**(217)**	(135)	**–**	–
Loss after tax from discontinued operations	**(553)**	(101)	**–**	–
Gain on the re-measurement of assets held for sale	**165**	928	**–**	–
Shortfall on de-recognition of property segment	**(254)**	–	**–**	–
Fair value adjustment to investment in subsidiary upon distribution	**–**	–	**19,403**	–
Tax expense (note 27)	**–**	(553)	**–**	–
(Loss)/profit after tax on the re-measurement of assets held for sale	**(89)**	375	**19,403**	–
(Loss)/profit for the year from discontinued operations	**(642)**	274	**19,403**	–

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Operating cash flows	**(469)**	(498)	**(5)**	(234)
Investing cash flows	**(7,919)**	(1,360)	**(3,945)**	(1,360)

In December 2018, the Company transferred its entire investment in Trident Estates plc (note 1.2), to its shareholders through a non-cash dividend distribution of €37,211,000 (note 12). This distribution represented the fair value of this subsidiary and its underlying net assets. The difference between this fair value and the carrying amount of this investment in the Company's books of €17,808,000 (note 7) is presented in profit or loss under discontinued operations as a fair value adjustment to investment in subsidiary upon distribution and amounts to €19,403,000.

On 20 December 2017, the Board approved the actual 'spin-off' of the property segment by declaring a net interim dividend (paid in kind) of €37,211,000 through the distribution the Company's entire shareholding in Trident Estates plc (the holding company of the property segment) (note 12). The following table summarises the carrying value of the assets and liabilities disposed at the respective transaction date as well as the resulting shortfall:

	2018
	€'000
Assets	
Property, plant and equipment (note 5)	**18**
Investment property	**33,040**
Investments in jointly-controlled entities	**12**
Trade and other receivables	**440**
Cash and cash equivalents	**6,228**
Carrying value of assets disposed	**39,738**
Liabilities	
Deferred tax	**(1,825)**
Trade and other payables	**(395)**
Current tax liabilities	**(53)**
Carrying value of liabilities released	**(2,273)**
Net assets disposed	**37,465**
Consideration attributed to a distribution of dividend 'in kind' (note 12)	**(37,211)**
Shortfall on de-recognition of net non-current assets held for sale	**254**

22. Expenses by nature

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (note 5)	**6,900**	6,698	**6,042**	5,736
(Profit)/loss on disposal of property, plant and equipment (note 5)	**(7)**	(352)	**11**	(346)
Employee benefit expense (note 23)	**18,469**	18,149	**10,175**	10,174
Termination benefits (note 23)	**156**	41	**156**	41
Raw materials, imported goods and consumables	**41,936**	40,584	**11,679**	10,767
Changes in inventories of finished goods and work in progress (note 8)	**330**	525	**(328)**	850
Increase in impairment provisions for trade and other receivables (note 9)	**67**	388	**141**	56
Impairment of trade receivables	**256**	28	**16**	20
Amortisation of intangible assets (note 6)	**42**	42	**–**	–
Other expenses	**12,856**	9,436	**12,052**	9,010
Total cost of sales, selling and distribution costs and administrative expenses	**81,005**	75,539	**39,944**	36,308

Operating profit is stated after crediting deferred institutional grants amounting to €141,000 (2017: €154,000), which are included in 'Cost of sales'.

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Disclosed as:				
Continuing operations	**80,318**	75,267	**39,944**	36,308
Discontinued operations	**687**	272	**–**	–
	81,005	75,539	**39,944**	36,308

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2018 and 2017 relate to the following:

	Group	
	2018	2017
	€'000	€'000
Annual statutory audit	**158**	185
Other assurance services	**11**	11
Tax advisory and compliance services	**14**	29
Other non-assurance services	**152**	36
	335	261

23. Employee benefit expense

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Wages and salaries	**17,207**	16,878	**10,915**	10,788
Social security costs	**1,210**	1,219	**762**	783
Other employee related costs	**52**	52	**52**	52
	18,469	18,149	**11,729**	11,623
Recharged to subsidiaries	**–**	–	**(1,554)**	(1,449)
	18,469	18,149	**10,175**	10,174
Termination benefits	**156**	41	**156**	41
	18,625	18,190	**10,331**	10,215

The average number of full time equivalents employed during the year:

	Group		Company	
	2018	2017	**2018**	2017
Brewing, production and sale of branded beers and beverages	**468**	477	**447**	457
Importation, wholesale and retail of food and beverages, including wines and spirits	**86**	88	**–**	–
Operation of franchised food retailing establishments	**269**	268	**–**	–
	823	833	**447**	457

24. Net exchange differences

The net exchange differences charged and credited to the income statements include:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**162**	163	**107**	185
Fair value losses on derivative instruments: – Foreign exchange forward contracts	**(92)**	(165)	**(92)**	(165)
	70	(2)	**15**	20

25. Finance income

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Interest on amounts owed to related parties	**–**	5	**56**	–
Interest on amounts owed by subsidiaries	**–**	–	**83**	184
Other interest	**–**	–	**–**	5
	–	5	**139**	189

26. Finance costs

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Interest on bank loans and overdrafts	**509**	542	**455**	469
Interest rate subsidy	**(509)**	(311)	**(509)**	(311)
Finance lease interest	**20**	24	**20**	24
Interest on bonds	**845**	894	**845**	894
Fair value loss on derivative financial instruments	**299**	307	**299**	307
Other finance costs	**43**	14	**33**	34
	1,207	1,470	**1,144**	1,417

During the year ended 31 January 2018, the Company was granted net interest subsidy amounting to €509,000 (2017: €311,000) from Malta Enterprise related to approved investment loans of €13.7 million (2017: €14.5 million). A net effective interest rate of 1.30% (2017: 1.31%) 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.

27. Tax income

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Current tax expense	**1,237**	791	**–**	–
Deferred tax income (note 18)	**(1,969)**	(574)	**(2,000)**	(1,196)
Tax (income)/expense	**(732)**	217	**(2,000)**	(1,196)
Disclosed as:				
Continuing operations	**(949)**	(471)	**(2,000)**	(1,196)
Discontinued operations (note 21)	**217**	688	**–**	–
	(732)	217	**(2,000)**	(1,196)

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	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Profit before tax from continuing operations	**13,455**	11,387	**9,975**	8,975
(Loss)/profit for the year from discontinued operations	**(425)**	963	**19,403**	–
Profit before tax	**13,030**	12,349	**29,378**	8,975
Tax on profit at 35%	**4,560**	4,322	**10,282**	3,141
Tax effect of:				
Benefits available under the Business Promotion Act, comprising tax credits and allowances	**(57,745)**	(8,695)	**(57,745)**	(8,695)
Movements in unrecognised deferred tax assets	**52,460**	4,502	**52,460**	4,502
Differences related to termination benefits	**25**	19	**25**	19
Over provision in unrecognised and recognised deferred tax related to prior years	**18**	9	**–**	–
Tax rules applicable to property values	**–**	228	**–**	–
Non-taxable income or allowable expenses	**(50)**	(168)	**(7,022)**	(163)
Tax (income)/expense	**(732)**	217	**(2,000)**	(1,196)

Benefits available under the Business Promotion Act related to tax credits and allowances for 2018 amounted to €57.7 million. These include benefits amounting to €54.2 million related to conversion tax credits which were granted to the Company following the issue of the related legal notice in April 2018. The Company was entitled to these benefits in 2004 but could not avail itself of these benefits until the related legislation was enacted. These benefits expire in 2020 (note 18).

28. Directors' emoluments

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**253**	247	**253**	247
Salaries	**67**	58	**67**	58
Other emoluments	**264**	264	**264**	264
Total directors' remuneration	**584**	569	**584**	569

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.

29. 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	
	2018	2017
Profit from continuing operations attributable to shareholders (€'000)	**14,404**	11,858
(Loss)/profit from discontinued operations attributable to shareholders (€'000)	**(642)**	274
Profit attributable to shareholders (€'000)	**13,762**	12,132
Weighted average number of ordinary shares in issue (thousands)	**30,000**	30,000
Basic and diluted earnings per share for the year attributable to shareholders arising from:		
Continuing operations	**€0.480**	€0.395
Discontinued operations	**(€0.021)**	€0.009
	€0.459	€0.404

The Company does not have any dilutive contracts on own shares in issue.

30. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Operating profit from continuing operations	**14,662**	12,852	**10,980**	10,203
Operating (loss)/profit from discontinued operations	**(336)**	34	**-**	-
Operating profit	**14,326**	12,886	**10,980**	10,203
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	**6,900**	6,698	**6,042**	5,736
Profit on disposal of property, plant and equipment	**(18)**	(352)	**-**	(346)
Impairment of investment in subsidiary	**-**	-	**11**	-
Impairment of investment in jointly controlled entity	**-**	-	**3**	-
Amortisation of intangible assets (note 6)	**42**	42	**-**	-
Amortisation of institutional grant (note 22)	**(141)**	(154)	**(141)**	(154)
Amortisation of bond issue costs (note 17)	**25**	154	**25**	154
Increase in provision for impairment of trade and other receivables (note 9)	**67**	388	**141**	56
Provision for termination benefits (note 19)	**156**	41	**156**	41
	21,357	19,703	**17,217**	15,690
Changes in working capital:				
Inventories	**917**	(2,182)	**1,646**	(2,442)
Trade and other receivables	**(1,914)**	(369)	**(2,369)**	(1,257)
Trade and other payables	**2,573**	(1,639)	**1,696**	3,159
Cash generated from operations	**22,933**	15,513	**18,190**	15,150

31. Commitments

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**16,164**	17,813	**14,229**	16,542
Contracted but not provided for	**1,283**	4,744	**1,283**	4,744
	17,447	22,557	**15,512**	21,286

Operating lease commitments – where a group company is a lessee

These leases principally relate to property rentals. Operating leases expenditure recognised during the year have been included within 'direct operating expenses'. The future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**1,255**	574	**–**	–
Later than 1 year and not later than 5 years	**3,239**	1,820	**–**	–
Later than 5 years	**838**	1,232	**–**	–
	5,333	3,626	**–**	–

Operating lease commitments – where a group company is a lessor

These leases principally relate to property rentals. Related income is recognised under discontinued operations. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**55**	419	**–**	–
Later than 1 year and not later than 5 years	**55**	1,203	**–**	–
Later than 5 years	**–**	657	**–**	–
	110	2,279	**–**	–

Finance lease commitments

In 2017, the Group and Company entered into finance lease agreements for the supply and leasing of operational equipment. The future minimum lease payments under the finance lease liabilities are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**154**	154	**154**	154
Later than 1 year and not later than 5 years	**616**	616	**616**	616
Later than 5 years	**–**	154	**–**	154
	770	924	**770**	924
Future finance charges on finance leases	**(50)**	(70)	**(50)**	(70)
Present value of finance lease liabilities	**720**	854	**720**	854

32. Contingent liabilities

At 31 January 2018, the Group and the Company had contingent liabilities amounting to €938,000 (2017: €3,370,000) and €194,000 (2017: €423,000) 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.

33. Related party transactions

The following companies (and their respective subsidiaries and jointly-controlled entities) are related parties by virtue of their shareholding in the Company:

	Percentage of shares held	
	2018	2017
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% (2017: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Income from goods and services				
– Sales of goods to subsidiaries	**–**	–	**2,105**	2,008
– Sales of goods to related parties	**263**	246	**122**	126
– Recharge of costs to subsidiaries	**–**	–	**1,441**	1,708
– Recharge of payroll costs to subsidiaries	**–**	–	**2,387**	1,835
– Finance income on loans to subsidiaries	**–**	–	**139**	184
	263	246	**6,194**	5,861
Expenditure for goods and services				
– Purchases of goods from subsidiaries	**–**	–	**562**	743
– Purchases of goods and services from related parties	**1,339**	748	**531**	609
– Finance costs on loans from subsidiaries	**–**	–	**34**	34
	1,339	748	**1,127**	1,386

Key management personnel compensation, consisting of directors' and senior management remuneration, is disclosed as follows:

	Group	
	2018	2017
	€'000	€'000
Directors	**584**	569
Senior Management	**669**	671
	1,253	1,240

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 9 and 20 of these financial statements.

34. Statutory information

Simonds Farsons Cisk plc is a public limited company and is incorporated in Malta.

35. 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.

36. Subsidiaries

The principal subsidiaries at 31 January 2018 are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2018**	2017
EcoPure Limited	The Brewery, Mdina Road, Mrieħel	Sale and distribution of bottled water	**100**	100
Farsons Distribution Services Limited	The Brewery, Mdina Road, Mrieħel	Non-operating	**100**	100
Farsons Beverage Imports Company Limited	The Brewery, Mdina Road, Mrieħel	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
Galleria Management Limited	The Brewery, Mdina Road, Mrieħel	Non-operating	**100**	100
Portanier Warehouses Limited	The Brewery, Mdina Road, Mrieħel	Property leasing	**100**	100
Quintano Foods Limited	303, Qormi Road, Marsa	Importation and wholesale of food products	**100**	100

The Group divested its interest in the following entities as a result of the spin-off of the property segment (note 1.2):

			Percentage of shares held	
	Registered office	**Principal activities**	**2018**	2017
Mensija Catering Company Limited	The Brewery, Mdina Road, Mrieħel	Property leasing	**–**	100
Sliema Fort Company Limited	The Brewery, Mdina Road, Mrieħel	Property leasing	**–**	100
Trident Estates plc	The Brewery, Mdina Road, Mrieħel	Intermediate investment management and property holding	**–**	100

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the Company

	Ordinary shares held as at 31 January 2018	Ordinary shares held as at 16 May 2018
Louis A. Farrugia	30,223	30,223
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Baroness Christiane Ramsay Pergola	10,941	54,140
Marquis Marcus John Scicluna Marshall	5,857	5,857
Marcantonio Stagno d'Alcontres	2,858	2,858

Directors' interests listed above are inclusive of shares held in the name of the relative spouse and minor children as applicable.

Mr Marcantonio Stagno d'Alcontres and Ms Marina Hogg have a beneficial interest in M.S.M. Investments Limited. Mr Louis A. Farrugia has a beneficial interest represented by 1 share in Farrugia Investments Limited. Mr Louis A. Farrugia and Mr Michael Farrugia respectively have a beneficial interest in 25% and in 12.5% of the shares in Farrugia Holdings Limited which holds the rest of the shares in Farrugia Investments Limited apart from directly holding 42,916 shares in Simonds Farsons Cisk plc. Marquis Marcus John Scicluna Marshall and Baroness Christiane Ramsay Pergola have a beneficial interest in Sciclunas Estates Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2018 to 16 May 2018.

Shareholders holding 5% or more of the equity share capital as at 16 May 2018

Ordinary shares

	Number of shares	Percentage holding
Farrugia Investments Limited	7,948,862	26.50
M.S.M. Investments Limited	7,948,862	26.50
Sciclunas Estates Limited	7,896,164	26.32

Shareholding details

As at 16 May 2018, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,887

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 16 May 2018

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	644	146,289	0.49
501 – 1,000	380	277,185	0.92
1,001 – 5,000	656	1,465,236	4.89
More than 5,000	207	28,111,290	93.70
	1,887	30,000,000	100.00

Antoinette Caruana
Company Secretary

The Brewery, Mdina Road, Mrieħel BKR 3000, Malta
Telephone: (+356) 2381 4172

FIVE YEAR SUMMARISED GROUP RESULTS

		2018	2017	2016	2015	2014
		€'000	€'000	€'000	€'000	€'000
Revenue		**95,331**	88,414	86,370	79,503	78,629
Operating costs		**(81,005)**	(75,528)	(75,044)	(69,891)	(70,235)
Operating profit		**14,326**	12,886	11,326	9,612	8,394
Changes in fair value of investment property		**(89)**	928	(2,182)	(8,000)	–
Share of results of associate		**–**	–	763	–	–
Net finance costs		**(1,207)**	(1,465)	(1,363)	(1,460)	(1,542)
Profit/(loss) before taxation arising from:						
– continuing operations		**13,455**	11,387	10,112	8,235	6,875
– discontinued operations		**(425)**	962	(1,568)	(8,083)	(23)
Tax		**732**	(217)	2,679	7,857	(527)
Profit attributable to Ordinary shareholders		**13,762**	12,132	11,223	8,009	6,325
Net dividends paid on Ordinary shares		**40,611**	3,200	3,000	2,500	3,100
Shareholders' funds		**96,632**	123,271	109,459	100,235	95,274
Borrowings (net of cash and cash equivalents)		**39,114**	35,195	24,388	19,785	25,914
Total capital employed (adjusted)		**135,746**	158,466	133,847	120,020	121,188
Fixed Assets		**118,049**	111,505	90,641	80,888	119,854
Non-current Assets		**9,051**	6,488	6,967	3,085	1,739
Current Assets (excluding cash and cash equivalents)		**32,708**	32,914	30,962	28,092	27,779
Assets held for sale		**–**	31,266	31,558	33,041	–
Liabilities (excluding borrowings)		**(24,062)**	(23,707)	(26,281)	(25,086)	(28,184)
Total assets less liabilities (excluding net borrowings)		**135,746**	158,466	133,847	120,020	121,188
Shares in issue during the financial year:						
– Ordinary shares	*'000*	**30,000**	30,000	30,000	30,000	30,000
Number of Ordinary shareholders		**1,887**	1,857	1,830	1,809	1,796
Earnings per Ordinary share (reference note 29)		**€0.459**	€0.404	€0.374	€0.267	€0.211
Return on average capital employed	*percentage*	**9.8**	8.7	8.8	7.8	6.9
Dividend cover	*times*	**4.05**	3.79	3.74	3.20	2.04
Dividends per Ordinary share (net of tax)		**€0.113**	€0.107	€0.100	€0.083	€0.103
Net asset value per Ordinary share		**€3.22**	€4.11	€3.65	€3.34	€3.18
Gearing	*percentage*	**28.81**	22.21	18.22	16.48	21.38

Revenue and **operating costs** include those from discontinued operations.

Comparative figures have been changed to conform with this year's presentation of the financial statements.

Ordinary shares are equivalent to the weighted average number of shares in issue during the financial year.

Return on average capital employed is calculated by dividing operating profit from continuing operations 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.

Proud of the past and eager to embrace the future, we are as passionate about our beers as we ever were, and remain committed to developing the full potential of Malta's finest brews in the exciting years ahead.

FARSONS GROUP
Farsons

Simonds Farsons Cisk plc
The Brewery, Mdina Road, Mrieħel BKR 3000, Malta.
Tel: (+356) 2381 4114
email: sfc@farsons.com www.farsons.com

ISBN-13: 978-99932-48-16-3