SIMONDS FARSONS CISK PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 JANUARY 2019

FARSONS GROUP

Farsons

CISK – DISTINGUISHED HISTORY, EXCITING FUTURE

During 2018 the Farsons Group celebrated an important milestone, 90 years of brewing, for it was in 1928 that L. Farrugia & Sons opened their first Brewery in Hamrun and launched the first beer brewed in Malta. The year 2019 also marks another milestone, well worth raising a glass to.

On the 3rd of August 1929, another brewery, The Malta Export Brewery, later to merge with Farsons, launched its own brew, a continental style Munchner lager. Originally bankers, the Scicluna family who were running this brewery thought that their family nickname might make a memorable and distinctive brand with market appeal. This was the colloquial mispronunciation of the word 'cheques' – Cisk.

Malta's finest range of lagers was born, and the rest is history.

As Cisk looks to the future, and ventures far beyond Malta's shores, it is a history which is still very much in the making.

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Simonds Farsons Cisk plc

Annual Report
for the year ended 31 January 2019

Fascinating origins, an integral part of the Company's story

In 1928, L. Farrugia & Sons (Farsons) opened their first brewery in Ħamrun and launched the first beer brewed in Malta, an ale. Farsons soon merged with H.G. Simonds, which had also been importing and distributing ales in Malta.

Another brewery, then still a rival of the newly merged firm, was hot on their heels; on the 3rd of August 1929, the Malta Export Brewery launched its own brew, a continental style 'Munchner lager'. At this time the new style lager beers were gaining popularity across Europe and the Scicluna family who were running this brewery saw an opportunity in Malta.

Originally bankers, they decided that their family nickname, Cisk, might make a distinctive brand with popular appeal. This was the colloquial mispronunciation of the word 'cheques', which people used to refer to Giuseppe Scicluna, who had opened Malta's first privately owned bank back in 1840. And so it was that Cisk, from the name of a well-known personality, became the name of one of Malta's most iconic brands.

Following the subsequent merger of the Malta Export Brewery with Simonds Farsons in 1948, this was also incorporated into the Company's name – Simonds Farsons Cisk.

Therefore, 90 Years after Cisk was first brewed, this is truly a fitting time to celebrate.

CELEBRATING 90 YEARS OF CISK

SINCE 1929

Brewing Passion, since 1929

Cisk is synonymous with a brewing tradition rooted in quality and driven by single-minded passion.

Since 1929, this passion has been inherited by different generations of brewers over the years. The expertise of these skilled and dedicated brew-masters, who give constant attention to detail, ensures that a high standard of product quality is maintained at every step in the brewing process – till this very day.

Absolute Quality, the finest ingredients

The secret of a great beer, apart from the devotion of the brewers, and of course the original recipe, lies in the ingredients used to brew it. From the outset, only the finest barley and selected hops were used for Cisk, and the result is a range of legendary lager beers which so many have grown to appreciate.

Evolving packaging, a beer that looks as great as it tastes

Packaging is a key part in the marketing mix and, since day one, Cisk has presented itself in the best possible way, naturally moving with the times and adapting to evolving consumer demands and preferences.

Substantial investment and effort have always gone into ensuring the product looks every bit as good as it tastes. In 2014, brand specialists were commissioned to upgrade the packaging for all the Cisk portfolio. In 2016, Farsons also inaugurated a Euro 27 million state-of-the-art beer packaging facility which makes possible a range of innovative packaging. Such initiatives have strengthened the brand's unique appeal on domestic and international markets.

Prestigious awards, international acclaim

1980

1995

2005

2007

2017

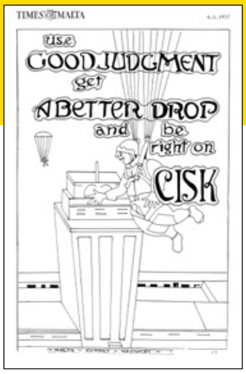
2017

Cisk Lager and the other lagers in the portfolio have, time and again, been honoured with a number of awards in major international competitions in the United Kingdom, Belgium, Australia and elsewhere.

Cisk's success in such highly competitive international beer competitions is a testament to the skills of Farsons brewers and serves to reinforce the high quality standards of Malta's finest lager.

Unique identity, strong brand

1940 – 1990



Cisk's distinctive livery, and the brand's striking yellow palette, are an integral part of the media and popular culture in Malta, and the brand is highly visible at all leisure and entertainment venues. Cisk was always at the forefront of advertising and marketing communications' innovation, across many different forms of media throughout the decades.

Literally hundreds of different merchandising items and promotional gifts have been produced over the years, many of which have become collectors' items and cherished memorabilia.

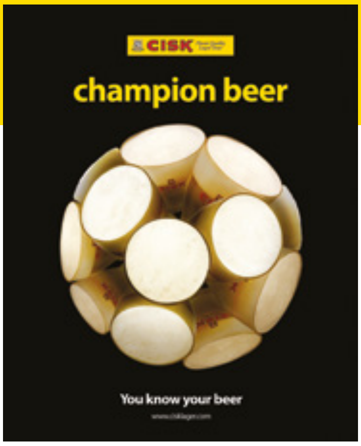
1990 – 2018


Our heritage
OUR LAGER


OurTime,
CiskTime.
CISK


MALTA'S FINEST
CISK


World Class
CISK
LAGER
Cisk is... Cisk


CISK
champion beer
You know your beer


CISK
OUR
TIME
IS NOW
#CiskTime


90
YEARS

Dynamic portfolio, taking the legacy forward

Cisk is no longer the name for a single lager; indeed, its potential has long been recognised by the Company which has invested heavily in extending the Cisk brand name across a range of quality lagers thus strengthening its brand equity.

The range now comprises a range of lagers suited to different tastes and preferences in Malta and other markets: Cisk Lager; Cisk Export; Cisk Excel; Cisk Pilsner; Cisk Strong; Cisk Chill.

Each of these variants offers a different proposition, with its own characteristics, alcoholic content and taste profile. Born from the same tradition, and brewed with the same passion, each Cisk variant reaches different consumers, thus taking the Cisk legacy forward into the future.

Proud of the past, eager to embrace the future

The Farsons Group vision is to grow its business, both domestically and internationally, with an aim to achieve a greater regional presence in the food and beverage sectors. Without doubt, Cisk, a key brand, has the credentials and the credibility to spearhead this strategy going forward. Cisk is exported to a growing number of countries, including European markets such as the United Kingdom and Italy, Middle East markets such as Israel and other continents such as Australia.

Ninety years on from its relatively humble launch during a village feast in Malta in 1929, Cisk has undoubtedly come a long way, paving the way for a future that promises to be every bit as exciting as its history.

CHAIRMAN'S STATEMENT

I am most pleased to present our Annual Report for the financial year ended 31st January 2019. Once again, it has been a busy year full of challenges with meeting financial targets and deadlines set by the pace of market developments. This annual report describes the operational improvements being implemented and the extent of the competitiveness that we are meeting in the market-place. It also addresses the many measures that have been taken by management to improve our environmental credentials through investing in projects and plant that have resulted in a reduction of our carbon emissions, as well as other environmentally conscious steps such as a more efficient utilisation in the consumption of water and electricity.

Our financial performance has been most satisfactory. The key figures are as follows:

- Our Group Turnover was just short of €100 million at €99.8 million – an increase of 5% over the previous year;
- The Profit for the year reached €15.1 million (an increase of 10% from last year's profit of €13.8 million);
- Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to €23.2 million, an increase of 5% over last year;
- The Group's net borrowings decreased by €6 million, resulting in a lower gearing ratio of 23.4% as compared to 28.8% in the previous year.

In view of these results and the overall performance of the Group, the Board is recommending a final dividend of €3 million (€0.10 per share). Taken together with the net interim dividend of €1 million (€0.0333 per share) paid in October 2018, this will result in total dividends of €4 million being paid in respect of the year ended 31st January 2019. This represents an increase of €400,000 over the dividends declared in the previous year – an increase of 11%.

We highlight in the company announcement the fact that these results have exceeded by 11% the projections for the financial year 2018/9 that were set out in the Financial Analysis Summary (FAS) dated 16 July 2018. We are obliged by the Listing Rule 5.16.24 to explain the main reasons for this variance; these are the result of a lower depreciation charge to that forecast due to timing differences in the capital expenditure spend, and a favourable movement in the impairment allowance recognised in the income statement with respect to the Group's Trade and other Receivables. This last item was the result of a study carried out by our finance team on the adequacy or otherwise of our provisions for bad debts. I am pleased to say that we implemented enhanced processes in the management of Trade Receivables and these have resulted in a better performance than that achieved in past years.

Malta's economy has continued to grow with a reported increase of 6.6% in GDP. In 2018 tourist arrivals, which as you are all aware, affects our trade significantly, reached an impressive record level of 2.6 million. At the same time Malta has experienced an increase in its local population with many guest workers arriving to meet the need for such employment because of increased economic activity in a number of sectors.

At the same time, our Farsons team of managers and employees led by our CEO, Norman Aquilina, have been occupied with ensuring that our product offerings are suitable for the markets in which we operate and that we produce these products in the most efficient and cost-effective way possible. This requires a high level of management cooperation and focus on key issues. I am pleased to report that this has been forthcoming and is a source of encouragement to your Board to continue with our plans to pursue growth and innovation.

The CEO's Review carried in this report highlights the investments made this year in a new kegging plant comprising robotic technology, in upgrading our beer processing control systems, an additional purpose-built and functional truck park, new logistical processes and an investment in a new efficient truck fleet including a number of electric cars. All these measures are not just environmentally friendly but will also, over time, contribute towards our financial performance due to the efficiency improvements that will be secured.

Of particular note is your Board's decision to support Government's initiative on the introduction of a Beverage Container Refund Scheme, to be known as BCRS. The scheme will entail the compulsory

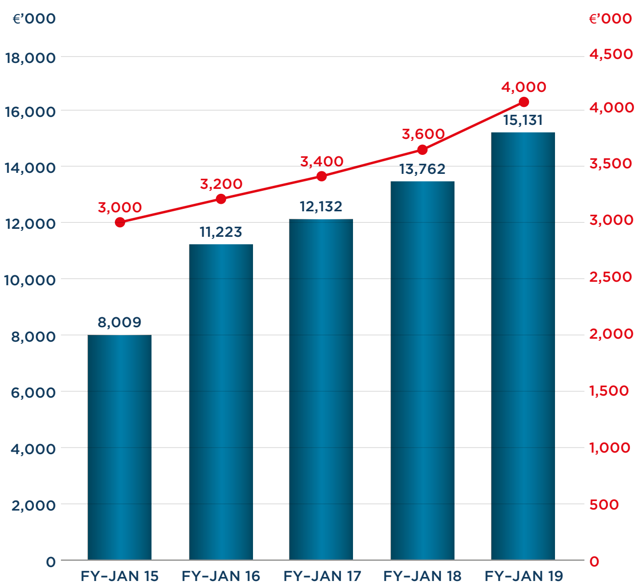
introduction of a deposit on all the one way beverage containers. Farsons is fully aligned with the environmental objectives of the scheme and is actively working with the authorities to help ensure that it is a success.

Another important aspect of our performance is our continued drive to internationalise our business. The CEO's Review highlights the impressive and growing number of countries to which we export our own brands. In particular, we are making further inroads into the Italian market with our beer brands. This part of our business requires patience and tenacity. There is no quick road to success in exporting to new markets. We are, however, making small but significant in-roads in some markets, which make us all the more motivated to succeed.

Last year I highlighted in my statement that we would be undertaking our Old Brewhouse project in the year ahead. This Annual Report features this project which, I can confirm, is now well underway. The timing for the opening of the Old Brewhouse is being coordinated with the Trident Estates plc Business Park Project. We are projecting the two projects to open in the first quarter of 2021. The Old Brewhouse project will comprise a Microbrewery, a Brew Pub, a Visitor Attraction, depicting Farsons history and story, a cafeteria/bistro and other amenities. The Old Brewery building, which served us well for nearly 70 years, will be transformed into a unique location housing many different businesses and activities. It will undoubtedly be a milestone in our already full 90-year history.

DECLARED DIVIDENDS OVER THE PAST FIVE YEARS

- PROFIT ATTRIBUTABLE TO SHAREHOLDERS
- DIVIDENDS (INTERIM + FINAL)



Of course, this year we are also celebrating Cisk's 90th anniversary. We all feel a sense of pride on this anniversary. Cisk is not only a Maltese icon but has won respect and a following from an international audience. We have ambitions for the brand and we augur that its future will bring us and all our stakeholders further rewards in the long term.

Besides our good performance we shall remember this past year as the year we celebrated our 90-year anniversary. In May 2018 we were honoured with the presence of the President of Malta, Her Excellency Marie-Louise Coleiro Preca and Mr Preca who attended our celebration to mark this landmark anniversary. We also had a number of commemorative events in Ħamrun and Qormi, where we thanked the residents of both towns for their support of our beers from the very first day Farsons Pale Ale went on sale in 1928.

I would like to thank all Farsons employees for their dedication and commitment to quality standards without which our performance would suffer considerably. I must thank Norman Aquilina and his management team for their drive and input in leading the way forward and for delivering these results. I thank them all for their commitment and loyalty.

I would finally acknowledge the wise and experienced input of my colleague Directors to whom I am indebted. We have worked well to create the right environment to allow management the space to operate and manage the business.

Finally I thank our legal advisors Mamo TCV and auditors PricewaterhouseCoopers for their continued support and good counsel.

Louis Farrugia

Louis A. Farrugia
Chairman
15 May 2019

BOARD OF DIRECTORS

DIRECTORS

Louis A. Farrugia[1] - *Chairman*
Marcantonio Stagno d'Alcontres[2] - *Vice-Chairman*
Roderick Chalmers[3]
Michael Farrugia[4]
Dr Max Ganado[5]
Marina Hogg[6]
Baroness Christiane Ramsay Pergola[7]
Marquis Marcus John Scicluna Marshall[8]
Antoinette Caruana[9] - *Company Secretary*

BOARD COMMITTEES

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

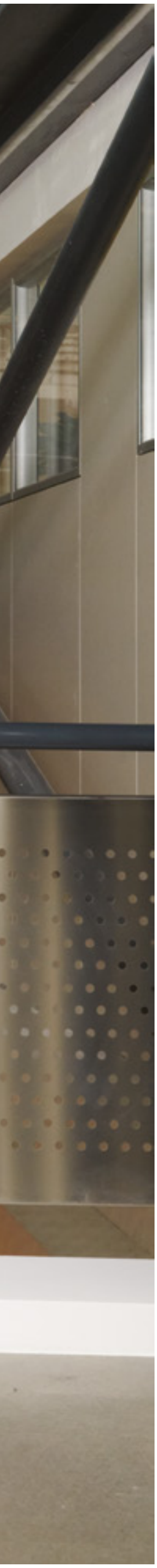
BOARD PERFORMANCE EVALUATION COMMITTEE
Marquis Marcus John Scicluna Marshall - *Chairman*
Michael Farrugia
Dr Max Ganado
Marina Hogg

REMUNERATION COMMITTEE
Marcantonio Stagno d'Alcontres - *Chairman*
Roderick Chalmers
Louis A. Farrugia *(up to 24 April 2019)*
Marquis Marcus John Scicluna Marshall

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

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*



SENIOR MANAGEMENT BOARD

Norman Aquilina[1] – *Chairman*
John Bonello Ghio[3] – *Group Head of Food Business*
Chris Borg Cardona[9] – *Head of Logistics & EcoPure Limited*
Antoinette Caruana[7] – *Company Secretary and Group HR Manager*
Eugenio Caruana[6] – *Chief Operating Officer*
Michael Farrugia[5] – *Executive Director – Operations & Business Development*
Philip Farrugia[10] – *Head of IT and Business Services*
Pierre Stafrace[4] – *General Manager FBIC*
Anne Marie Tabone[8] – *Chief Financial Officer*
Susan Weenink Camilleri[2] – *Head of Sales & Marketing*

THE OLD BREWHOUSE PROJECT

The restoration and rehabilitation of the Farsons Old Brewhouse is a landmark regeneration project, which is today well underway and scheduled to be completed by the first quarter of 2021. Covering over 7,000 square meters of Grade 2 listed, industrial space, the project has been conceived to be an important showpiece for the Farsons brewery and brands and a key driver for the wider regeneration of the former brewery and Trident Park office redevelopment.

Designed by international renowned Ian Ritchie Architects Ltd of London and assisted by local architects and engineers TBA Periti, the iconic building will create a thriving, multi-purpose mix of interactive entertainment, flexible workspace and food and beverage amenities, which include but is not limited to a brewery Visitor Experience, microbrewery and brewpub, Cisk bar, food court and multiple indoor and outdoor event areas for both business and leisure activities.

"THE BREWHOUSE BUILDING IS UNIQUELY PLACED TO OFFER AN ARCHITECTURAL AND INTERACTIVE EXPERIENCE"

Artist's Impression of the Old Brewhouse – Cross Section

As one of the first and finest examples of a concrete reinforced building, the design philosophy has been to provide a game changing perspective for industrial heritage in Malta through sensitive and imaginative restoration of the inherent high aesthetic qualities of the 1950's building. Not only will the external Art Deco fabric of the former Brewhouse be retained, including the original steel framed glazing, but also much of the internal spaces containing brewing machinery and equipment of special industrial heritage interest. These will provide a thematic backdrop throughout the development with the existing brewery 'Coppers' forming a centerpiece to the planned brewery Visitor Experience and with natural light being brought into the central areas via new roof lights and atria.

Originally designed by architect, engineer and Farsons founder Lewis V. Farrugia in collaboration with British architect William Binnie, whose major works include the Arsenal Football Club's East Stand at Highbury, as well as the Hotel Phoenicia in Valletta, the inauguration of the brewery and brewhouse in June 1950 was a grand event, which marked an important turning point in the industrialization and economic recovery of post war Malta. Built on an unparalleled scale for its time, its construction took almost four years to complete and with approximately 1,500 people involved in its development, its rehabilitation almost 70 years later marks another important milestone in the history of Farsons and brewery.

As the only remaining brewery on the island of Malta with over 90 years of proud heritage and history, The Brewhouse building is uniquely placed to offer an architectural and interactive experience, which celebrates the art and science of brewing and the industrial processes and people that continue to sustain the craft. Brewing is, after all, one of the oldest industries known to man and ultimately, The Brewhouse will serve to not only create a thriving destination for people in which to work, play and relax but also to create a deeper appreciation for one of the world's most enjoyed beverages.






Artist's Impressions – Old Brewhouse Interior

GROUP CHIEF EXECUTIVE'S REVIEW

AS THE YEAR UNDER REVIEW MARKED OUR MILESTONE 90TH ANNIVERSARY, WE ARE PARTICULARLY SATISFIED TO REPORT YET ANOTHER STRONG PERFORMANCE FOR THE FARSONS GROUP. WE HAVE, ONCE AGAIN, ACHIEVED RECORD TURNOVER AND PROFITABILITY LEVELS, WITH YEAR-ON-YEAR IMPROVEMENTS WHICH ARE TRULY ENCOURAGING AND UNDOUBTEDLY MOTIVATE US TO CONTINUE TO PURSUE OUR STRATEGIC PATH. THIS IS NOT TO SAY THAT WE HAVE NOT HAD, AND CONTINUE TO HAVE, OUR FAIR SHARE OF CHALLENGES.

During the financial year end 31 January 2019, the Group maintained its growth trend with turnover increasing by 5%, this equating to an increase of €4.8 million over last year. The Group's turnover has now reached an all-time high of €99.8 million.

Our continued strategic focus on improving our overall operational efficiency together with the ongoing capital investments have allowed the Group to improve its competitive standing and better respond to market opportunities. Such improvements, together with the turnover growth, have resulted in an increase in gross profit margin, which now stands at 40%.

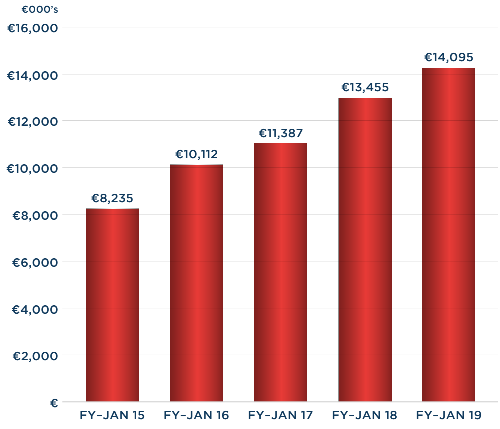
The current year represents the first set of Group results that exclude the consolidation of Trident Estates plc, which was spun off into a separate listed entity on 30th January 2018. Nonetheless, the Group maintained its consistent year-on-year improvement in profitability. Registering an improvement of 5% over last year, profitability before tax has now reached €14.1 million.

During the year, €6.6 million have been invested in various operational assets. As always, cash flow management remains a critical function to ensure that the Group maintains a strong balance sheet position. The Group's EBITDA increased by a further 5% reaching a record level of €23.2 million.

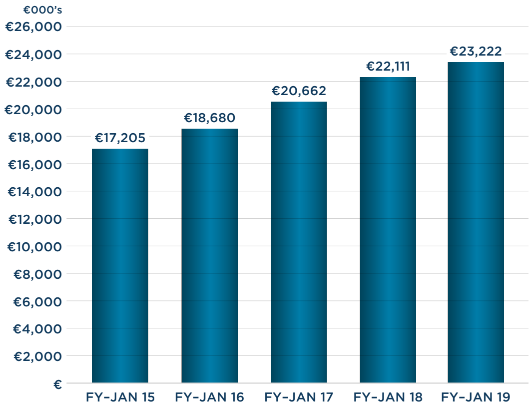
Though general market economic indicators remained broadly positive, mounting employment costs are placing more pressures on the Group to further improve productivity levels across all areas of engagement. This is an area in which we will continue to give added focus in the year to come.

Beyond these financial results, it is imperative that we also constantly keep an eye on the horizon. Given market dynamics and the competitive environment in which we operate, it is imperative that we maintain a vigilant outlook on market developments whilst, at the same time, ensure we maintain focus on an aligned, sustainable, innovative and profitable business.

GROUP PROFITABILITY BEFORE TAX FROM CONTINUING OPERATIONS



GROUP EBITDA FROM CONTINUING OPERATIONS



Furthermore, there are, of course, both moral and business imperatives to do more than just increase profits. Indeed, we are obliged to take a long-term view which considers the interest of a wide spectrum of stakeholders ranging from our consumers, our work force, our suppliers, our shareholders and the broader community as a whole.

MARKET TRENDS AND DEVELOPMENTS

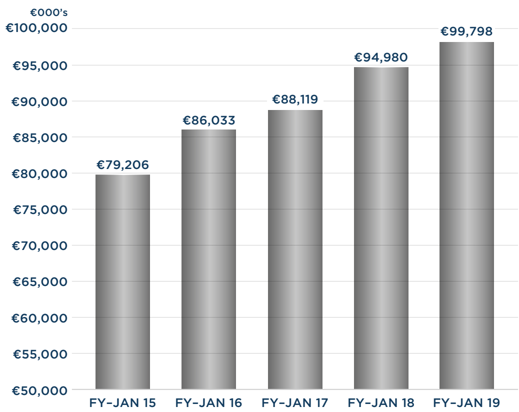
The year will not only be remembered as the year Farsons marked a milestone 90 years of brewing, but also the year in which we celebrated both a 40 year partnership with PepsiCo, as well as the 40th anniversary of the licensing agreement to brew Carlsberg in Malta.

There were also a number of other notable developments which strengthened our product portfolio. We launched several new products, including Cisk Chill Ginger & Lime, Farsons Double Red Nitro in a 440 millilitre can, our 90 year celebration brew Farsons Gold Label, and Carlsberg 0.0 Non-alcoholic beer.

We also introduced new branding for our flagship soft drink brand Kinnie, now positioned as the Mediterranean Classic since 1952. Furthermore, we also joined in the world-wide excitement of the FIFA World Cup, which we celebrated with a number of events thanks to Budweiser, the Official Beer of the World Cup. We also successfully organised the Pepsi Taste Challenge in our market, with results for Malta showing a significant 63% preference for the taste of Pepsi.

"WE ARE PARTICULARLY SATISFIED TO REPORT YET ANOTHER STRONG PERFORMANCE FOR THE FARSONS GROUP DURING OUR MILESTONE 90TH ANNIVERSARY YEAR"

GROUP TURNOVER FROM CONTINUING OPERATIONS



From a macro perspective, the domestic economy remained vibrant, with another record-breaking 14% increase in tourist arrivals, all-time lows in unemployment and inflation, coupled with increasing GDP per capita and above-average growth rates. Population levels have also surged, largely through immigration; an estimated 40,000 non-Maltese persons currently live and work here.

We normally refer to the weather conditions which prevailed throughout the year under review. Unlike the previous year however, the weather throughout 2018 was largely unremarkable, with no prolonged periods of above, or below, average temperatures. No official heatwaves were recorded; although the winter months did present some cold, windy and wet days, these were within the normal parameters expected during the season.

Malta showcased Valletta as the European Capital of Culture throughout 2018. This was celebrated through a varied programme of artistic and cultural events which took place in our capital city throughout the year. In addition, the FIFA Football World Cup culminating with the Final kick off in the first week of July, provided opportunities for us to promote our beverages, particularly beers, at numerous public events organised for football fans throughout the competition.

On the other hand, we continue to face increased pressure from consumers, lobby groups and legislators about a number of issues, primarily:

- surging levels of unrecycled plastic on a global scale, and the negative impact this has on the environment;
- the amount of sugar in our diets, and rising levels of obesity;
- growing pressure on alcohol consumption and the harmful effects on our health.

KEY GROUP PERFORMANCE HIGHLIGHTS FROM CONTINUING OPERATIONS

ACTUAL vs LAST YEAR vs FIVE YEAR COMPARATIVES

	FY Jan 2019 €'000	Improvement vs FY Jan 2018	Improvement vs FY Jan 2015
Turnover	€99,798	5%	26%
Operating Profit	€15,334	5%	58%
Pre-tax Profit	€14,095	5%	71%
Post-tax Profit	€15,131	5%	12%
EBITDA	€23,222	5%	35%
Earnings per Ordinary share	€0.504	5%	12%
Return on Average Capital Employed	10.6%	0.8pp	2.8pp
Gearing	23.4%	5.4pp	6.9pp

Increasingly, consumers are not only choosing to drink less, but to drink better. The consumption of traditional soft drinks is considered an occasional indulgence, rather than an everyday occurrence and there is a willingness to pay more for quality and authenticity. An increasing number of consumers are exiting the soft drinks market in favour of 'better for you' options or alternative categories of beverages.

With the blurring of boundaries between different beverage categories, the active choice of hydration over indulgence with consumers opting for sustainability over one-time use, and more product/experience personalisation, we shall continue to invest in discovering and understanding what influences the choices of emerging consumer groups. Often referred to as Millennials and Generation Z, these are the shoppers and consumers of tomorrow, future parents and leaders, employers and employees. They use the internet to educate themselves and are embracing 'shared and digital' communities, welcoming innovative concepts such as car-sharing, home-sharing and the like. They are used to a cashless society and are equally concerned with brain health as much as physical health.

As we have done successfully in the past, we will embrace change, keeping abreast of emerging trends and preferences and adapt our commercial strategies to be able to meet market demands and remain leaders in our respective business sectors.

The EcoPure robot stacking 18.9 litre bottles in crates

A forklift driver loading pallets of Malta's Finest at the Brewery

A Farsons security guard checking trucks at the Logistics Centre gate

OPERATIONS AND LOGISTICS HIGHLIGHTS

The year under review was also notable in terms of our operations, with a number of significant achievements having been registered as we continue to invest in achieving operational excellence whilst also developing our people and teams.

We invested in a new packaging plant for the filling of kegs and 18.9 litre returnable bottles. The new plant comprises of two robotic arms to handle the palletising and de-palletising of kegs and plastic bottles. This was successfully commissioned in the first quarter of the year, in time for the peak summer months.

As expected, this led to reduced operating costs, reduced energy and water consumption as well as improved quality. Moreover, the new robot technology for the handling of heavy containers lead to better working conditions as a result of the drastically reduced operator fatigue and risk of injuries.

In conjunction with a leading firm of international consultants, we embarked on another comprehensive programme to improve our manufacturing processes and reap further efficiencies through leaner operations. Building on the encouraging results of the previous year, we have identified a number of areas of opportunity, namely: performance improvements on a number of packaging lines; improved procurement and stock management processes; an improved distribution/customer process; and improved rates of return on 25 and 50 centilitre returnable glass bottles.

Another project concluded in time for a summer launch was the upgrade of all the PET bottles for Kinnie. New sets of moulds were fully commissioned on our PET line, including the 500 millilitre and 1.5 litre bottles and a new 1 litre bottle.

In another significant step, we embarked on upgrading our beer processing control systems. A detailed tender dossier, drawn up with the assistance of renowned international consultants, was sent to the principal suppliers of process control systems in the brewing industry. Following a comprehensive adjudication process, a reputable supplier was selected, and hardware installation commenced in the latter part of the year. We are pleased to note that the first software tests were successfully conducted in December, in preparation for a full switchover to the new control system in the first half of 2019.

ISO 9001 SGS SYSTEM CERTIFICATION · UKAS MANAGEMENT SYSTEMS 0005 · SAI GLOBAL Food Safety EFSIS · food BRC certificated

During the year under review, we also drew up two additional tenders for the renewal of our steam generation boilers and for a refrigeration compressor to supply coolant to the beer process area. These two, fairly significant, investments will be implemented during the current financial year and should help us achieve additional savings in fuel and electricity consumption, in line with Farsons' commitment towards more sustainable and environment-friendly operations.

"...A NUMBER OF SIGNIFICANT ACHIEVEMENTS HAVE BEEN REGISTERED AS WE CONTINUE TO INVEST IN ACHIEVING OPERATIONAL EXCELLENCE."

Operations inside the newly built Warehouse extension for storage

OUR PEOPLE

Engaging talent, and empowering employees to deliver sustainable, and quality-driven, operations is an integral part of our Group's vision. More so in today's challenging recruitment environment.

As we forge ahead, it is essential that each and every employee is aware of, and aligned with, our over-riding business objectives. As our Group endeavours to optimize on the talent and retention rate of our important human resources, engagement workshops are organized early in the year, providing an opportunity for employees to review the previous year's performance, familiarize themselves with plans for the upcoming year, and understand their own role in the realisation of Farsons' objectives.

A number of initiatives, programmes and activities were organized to enable employees to continuously improve their own performance as well as explore how working processes and methods might be improved. During the year over 11,500 hours of specialised training were implemented across all employee categories. In addition, training is also provided on the job, and Food Chain crew also benefit from training programmes relevant to their respective franchise.

EQUALITY CERTIFIED
NCPE

The Farsons Group is becoming an increasingly diverse organisation, enriched with people of different nationalities; over 17% of our workforce is not Maltese. It is also worth noting that 37% of Group employees are female, whilst 36% of all our employees work on a part-time basis, a percentage which reflects working arrangements within our Food Chain business.

The Equality Mark awarded by the National Commission for the Promotion of Equality is a recognition of our Group's efforts to ensure pay equity across our employee groups and to encourage inclusion and diversity.

Our ambition is to continue to be seen as a 'destination employer' by both potential and current employees, and our Group organizes various activities, including a well-being week, sports and social occasions and recognition events throughout the year.

In 2018 Simonds Farsons Cisk plc concluded a four-year collective agreement with both the General Workers' Union and the UHM Voice of the Workers. Another four-year agreement was also negotiated with the General Workers' Union for employees of our FBIC subsidiary. These agreements translate into enhanced remuneration packages for employees, and generally more favourable working conditions – aimed to better motivate and improve productivity levels – which we are able to provide thanks to the positive performance achieved by our Group.

"THE FARSONS GROUP IS BECOMING AN INCREASINGLY DIVERSE ORGANISATION, ENRICHED WITH PEOPLE OF DIFFERENT NATIONALITIES."

OUR COMMITMENT TOWARDS A BETTER ENVIRONMENT

SAFEGUARDING THE ENVIRONMENT

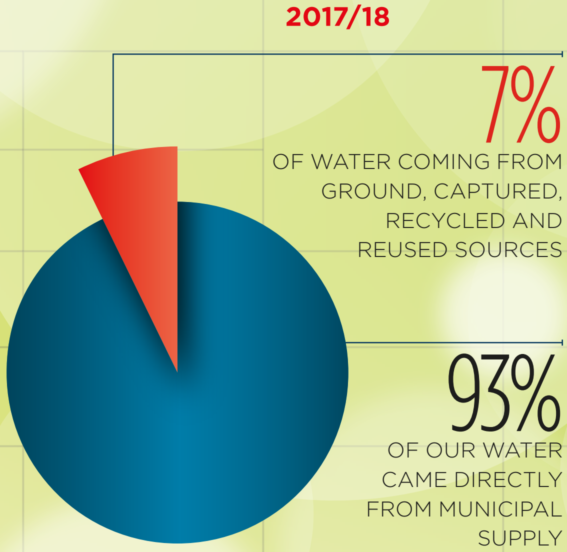
During the year under review we have, once again, undertaken wide-ranging initiatives which demonstrate how our Group embraces its social and environmental responsibilities in practice. In line with the objectives enshrined in our Mission Statement, we aimed to safeguard the environment and carry out the many operations of our business units in a healthier, cleaner and more sustainable manner.

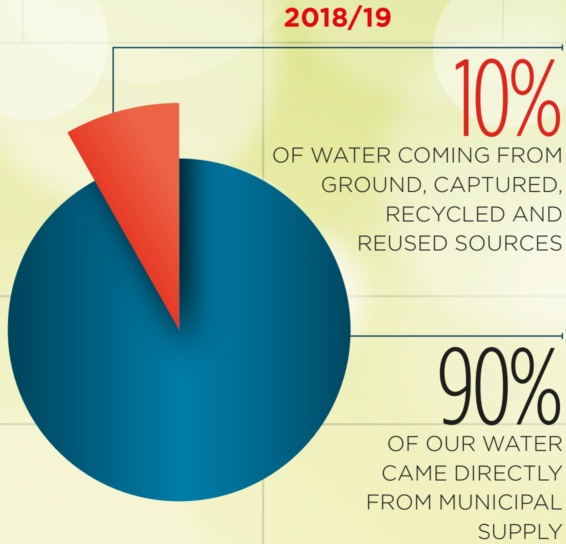
TOWARDS A CIRCULAR ECONOMY

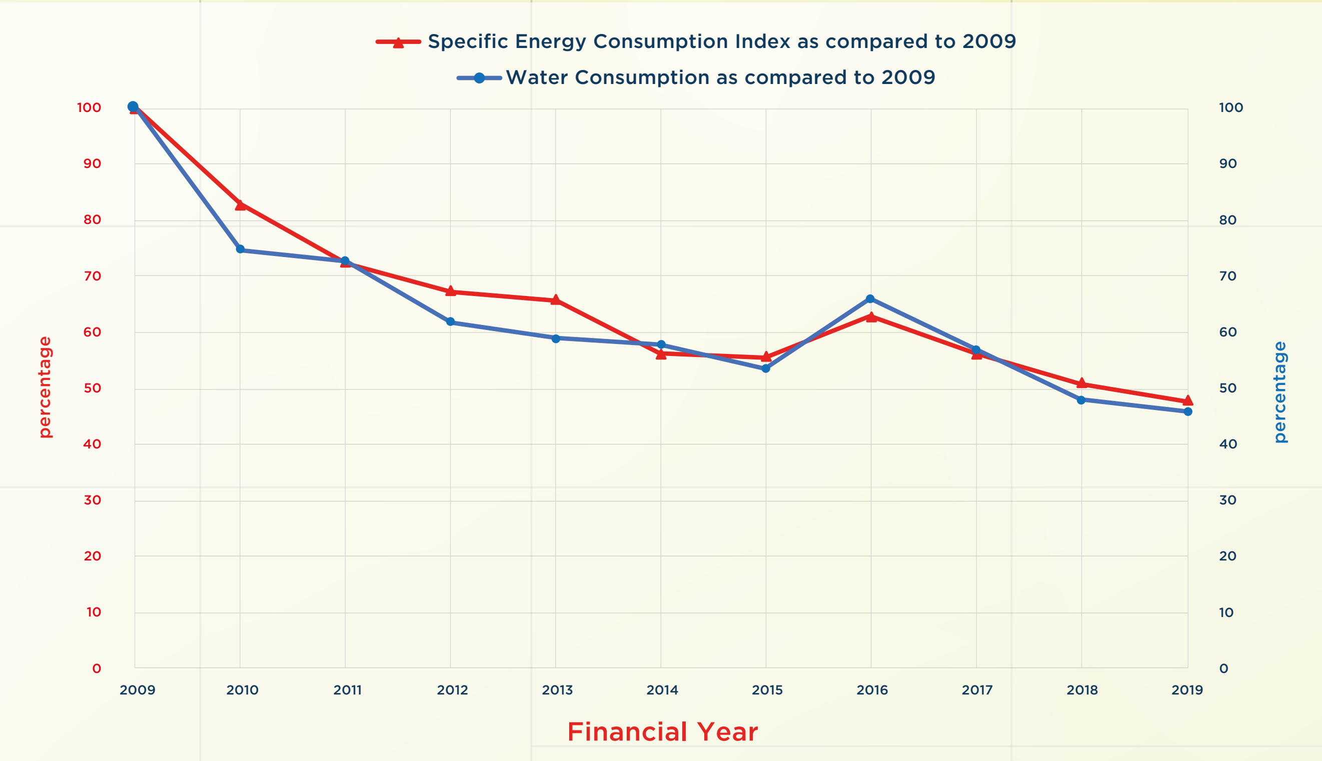
We are also very active in promoting, and working towards, the concept of a so-called 'circular economy' where waste is minimised and optimal use is made of all resources. In order to achieve this, we follow clear guidelines and take a holistic approach, selecting appropriate suppliers and choosing raw materials which align with our own values and would complement the Group's substantial investments in this area.

This process also involves a complete transformation in our approach to energy use, as we aim not only to minimise wastage but also to reduce our carbon foot-print.

Above all, we are increasingly adopting a mind-set which views any waste as a potentially recoverable resource which can, if appropriately channelled, be reused in other forms rendering our operations more eco-friendly and sustainable.







OUR OWN ENVIRONMENT AND RESOURCE MANAGEMENT FORUM

We have set up an Environment and Resource Management Forum with management representation from across the Group. This Forum meets regularly and is tasked with discussing all matters relating to environmental practices and performance, with a special focus on micro initiatives, sharing knowledge on international and local trends, and their effect on our business strategy.

This helps us implement our objective of tackling areas that address waste resource issues and as much as possible, to streamline and seek good practice synergies.

On the organisational front, we have established new managerial roles with the intention of creating a more effective co-ordination of energy, waste and water resources and other measures for the reduction of our carbon footprint.

The introduction of both micro and macro initiatives help us maintain the right momentum as we ensure that our legal and statutory obligations are met whilst providing a holistic and formalised approach in managing our resources efficiently.

RESPONSIBLE WATER USAGE

We are very aware that water is not only a prime component of our own products but, above all, a precious resource. The increased demand for our products, in response to growing market demand, has not resulted in an increase in consumption of water. We achieved further reductions in our water use index, a key metric.

Furthermore, we managed to reduce our dependence on municipal sources. This has been achieved through significantly increasing rainwater harvesting and improved production line processes, which have combined to further reduce the usage of metered ground water.

This was achieved as a result of a number of investments we have made and following considerable efforts by our technical staff to improve the efficiency ratings of our water usage.

"THANKS TO THE INVESTMENT MADE IN NEW EQUIPMENT WE ARE ALSO DERIVING IMPROVED EFFICIENCIES ON ENERGY USAGE."

"IT IS OUR OBJECTIVE TO TACKLE AREAS THAT ADDRESS WASTE RESOURCE ISSUES, STREAMLINING AND SEEKING SYNERGIES OF GOOD PRACTICES IN AS MUCH AS POSSIBLE."

Part of the Water Treatment Plant

CLEANER AND MORE EFFICIENT ENERGY USAGE

Last year, and in spite of the additional cost, a voluntary decision was undertaken by Farsons to switch from usage of heavy fuel oil to light heating oil. This move was followed by other, equally important, measures as part of our on-going endeavours to achieve even cleaner operations throughout the Group.

Thanks to the investment made in new equipment, we are now, in line with our priorities, also deriving improved efficiencies on energy usage on various fronts. The new boiler and chiller, installed at our Brewery have replaced older models and, apart from being operationally efficient, should have a positive impact in terms of energy usage going forward.

For many years, Key Performance Indicators and other energy usage parameters have been set and are constantly being scrutinized. Recommendations arising out of a statutory energy audit exercise, undertaken in 2015, have now been implemented and in fact continue to yield positive results.

We have now commissioned an independent auditor to oversee our energy audit. We believe that this represents an opportunity to improve our energy usage efficiency and raise the bar we have set ourselves even further.

A MORE EFFICIENT FLEET

The management team at our Logistics Centre constantly seeks ways to improve efficiency, at all levels. From the changing of business processes, driven by our investment in fleet tracking telematics, to subsequent improvements in our distribution route management.

We are also constantly assessing the various work flow processes related to our logistics operation and exploring greener alternatives for them. In line with our commitment to cut down on our carbon footprint and to help combat air pollution, we continued modernising our distribution fleet. As a result of our ongoing investments, by the end of this year over 60% of our distribution trucks will have Euro 5 or 6 emission standards. This percentage is expected to increase to 80% next year. Most of our car fleet has also been replaced, resulting in significant reductions of our co2 emissions. We have also introduced a number of electric cars to our fleet.

"IN LINE WITH OUR COMMITMENT TO CUT OUR CARBON FOOTPRINT AND HELP COMBAT AIR POLLUTION, WE CONTINUED MODERNISING OUR DISTRIBUTION FLEET."

MANAGING PACKAGING WASTE

During 2018 we invested in several initiatives to facilitate the separation and segregation of waste resources. The objective was to move away from a linear one-way approach, whereby packaging waste ends up in a landfill. Instead, properly channelled waste can now be directed to recyclable fraction collection.

Conscious of our overall corporate responsibilities, we are happy to implement such measures – notwithstanding the fact that the absolute majority of glass bottles which Farsons places on the market are sold on a returnable basis.

We also invested in a crusher so that any discarded aluminium cans, glass and PET bottled products are separately crushed, and compacted, for easier recycling. All packaging processes inevitably tend to generate some percentage of waste. Items such as carton, shrink film and other wrapping supportive materials are now treated as a potentially recoverable resource.

Measures have also been taken to ensure that the suppliers and service providers which Farsons partners with are not only like-minded in principle but are also committed in practice to the same high standards for waste recovery and recycling. We are therefore insisting that partner firms are registered, certified and possess strong environmental credentials, helping to ensure that the resources collected from packaging waste actually go to their rightful recycling destination.

A number of other, pro-environment, measures were also undertaken. We discontinued the supply of PET bottled products for internal consumption and substituted them with glass bottles. Single use items in our own canteen and kitchenettes have been substituted with crockery, glass and porcelain items.

The dispense of styrofoam cups by our coffee vending machines was replaced with bio-degradable cups. We have also embarked on the separation and collection of organic waste from our canteen and kitchenettes and installed recycling stations and bins in all eating areas.

"ITEMS SUCH AS CARTON, SHRINK FILM AND OTHER WRAPPING MATERIALS, ARE TREATED AS A RECOVERABLE RESOURCE"

The Beverage Container Refund Scheme is expected to come into force within a year

Discarded aluminium cans crushed and compacted for recycling

SUPPORTING THE WASTE MANAGEMENT COLLECTION SCHEMES

In 2018 we continued building on our collaboration with waste recovery schemes operating in Malta. The significant investment made, on an annual basis, to support such schemes is a tangible sign of our Group's long-standing commitment towards the environment.

Even our Waste, Electrical and Electronic Equipment (WEEE) items are fully recovered and forwarded for recycling in a controlled manner. This is a wide-ranging initiative which also extends to all WEEE items placed on the market, be they vending machines, fridges or dispensers.

BEVERAGE CONTAINER REFUND SCHEME (BCRS)

We are actively participating in discussions with authorities and stakeholders preceding the introduction of a national Beverage Container Refund Scheme (BCRS), which will entail the compulsory introduction of a deposit on all relevant beverage containers.

This is a significant development and is expected to come into force within a year. The Farsons Group is fully aligned with the environmental objectives of the BCRS and we have pledged our support to ensure that its operational arrangements will deliver the set objectives in the most effective and efficient way possible – for the benefit of our community and the environment.

In fact, we are one of the leading founding members of the new company that will be managing this scheme, in conjunction with other bottlers, together with beverage importers and retailers.

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

REVIEW OF BUSINESS SECTORS: BEERS

As stated earlier in our Review, the overall market for beverages and consumption habits continue to evolve, and this is very much evident in the beers sector. Declining volumes of more traditional, mainstream lagers have been somewhat compensated for through continued growth in both ale and stout categories.

Craft and speciality beers continued to grow, primarily in value, as consumers are drinking less, but drinking better. The demand for low or non-alcoholic beers, whilst still in the early stages locally, is also becoming more evident, driven by consumers who seek healthier lifestyles. Globally, it is estimated that this category now accounts for 5% of total beer consumption, and the category is growing at a faster rate than the overall beer market.

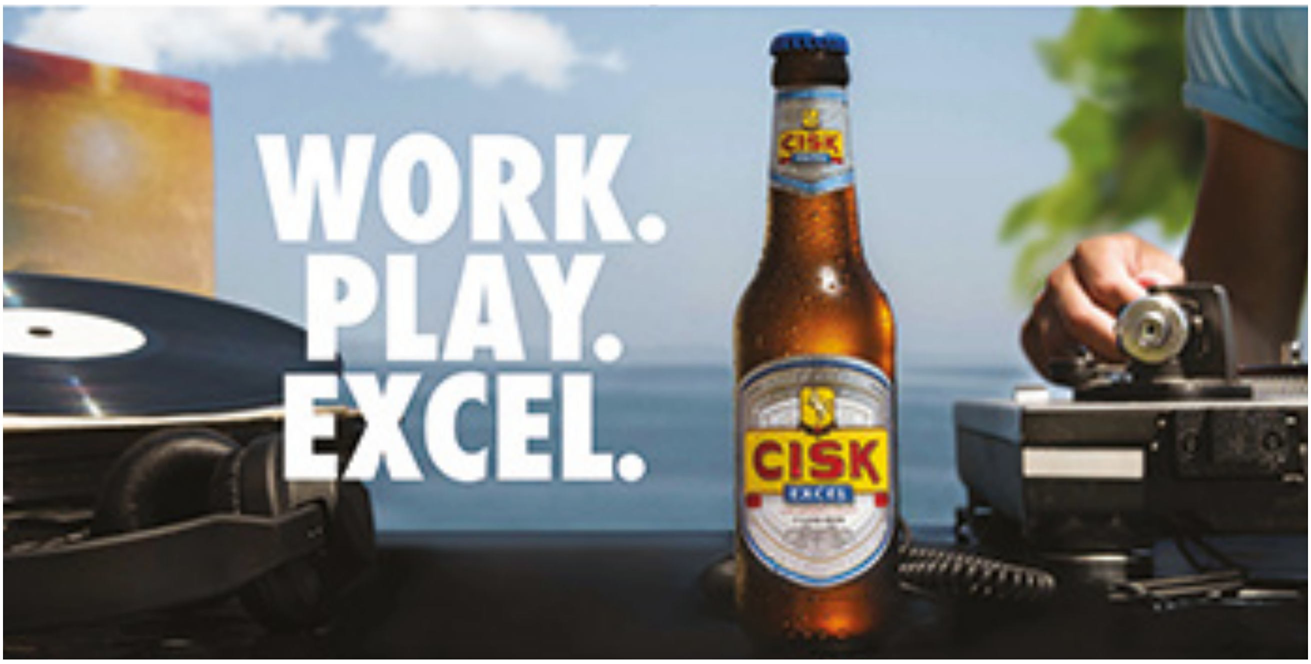
Our Group's beer portfolio registered a positive performance across all market segments and all package formats, demonstrating our ability to adapt and evolve our product offering to meet changing consumer and market trends effectively. The range now features an impressive line-up of award-winning Maltese brews alongside a growing array of imported brands, which punch well above their weight in a highly competitive, and crowded, market.

The Cisk portfolio, led by **Cisk Lager**, remains key to our overall performance, delivering another strong set of results. During the current year, our flagship brand will be celebrating 90 years since its launch in 1929, and it is very satisfying to report that it continues to prove resilient in the face of constant targeting from many competitor beer brands on the market. We firmly believe in the long-term potential of Cisk and continue to invest in the brand's identity, be it packaging, media presence, signage, sponsorships and a new creative communications platform underpinned by the tagline, Malta's Finest.

A new livery to mark Cisk's 90 year celebrations

CELEBRATING 90 YEARS OF CISK


SINCE 1929
CISK
PILSNER
GOLD MEDAL WINNER
BRUSSELS BEER CHALLENGE
2018
BRUSSELS BEER CHALLENGE
2018
Gold Medal
BOHEMIAN-STYLE PILSNER CATEGORY
A true Pilsner of exceptional quality.



Work. Play. Excel. In that order. A punchy vibe for our low carbohydrate beer

Cisk Excel, launched as Malta's first low-carbohydrate beer almost 12 years ago, continued to outperform the market in terms of growth, as it finds favour with growing numbers of beer consumers, across all market segments. We continue to increase the availability and visibility of this popular 'better-for-you' brand variant, which was supported by a bold communications campaign launched in the peak summer weeks encouraging consumers to Work, Play and Excel.

Cisk Pilsner, which was launched in 2016, is the premium specialty variant in the Cisk portfolio and makes an ideal accompaniment to most food dishes. It continues to gain market share as it earns the loyalty of discerning beer consumers who seek premium quality and taste. We are proud to announce that Cisk Pilsner has received its fourth accolade in less than two years since its launch. In December 2018 Cisk Pilsner was awarded a Gold Medal in the Brussels Beer Challenge in the Bohemian Style Pilsner Class. This follows being voted the World's Best Lager – Czech Style Pale in the 2017 edition of the World Beer Awards, receiving a Silver medal at the International Beer Challenge of that same year and receiving a Bronze Award in the 2016 edition of the Australian Beer Awards. Such recognition from world leading brewers and beer connoisseurs confirms this beer's immense potential and high standards.

Summer saw the highly-anticipated launch of **Cisk Chill**, now available as a range of three refreshing flavours – Lemon, Berry and more recently, Ginger and Lime. With more and more consumers seeking out fun in flavours and lower-alcohol beverages, the Cisk Chill range offers the perfect combination, adding a refreshing twist to the Cisk portfolio.

What's your favourite time to Chill?

FARSONS CLASSIC BREWS

Following the successful launch of our special brews range in 2016, our **Farsons Classic Brews** continue to gain traction on the local market. In 2018 this range was extended with the launch of **Farsons Gold Label** a celebratory Pale Ale marking 90 years of Brewing for Farsons in Malta, complementing the existing range which includes **Blue Label, Farsons Double Red** and **Farsons India Pale Ale**. Encouraged by the continued success of Blue Label Smooth and Creamy in the 440 millilitre can with a widget that allows consumers to experience the smooth and creamy pour in their own homes, Farsons Double Red Nitro was launched in a similar package in the last quarter of 2018. Initial results confirm the demand for such innovative beers, and the future augurs well for both brands.

Blue Label, one of the fastest growing brands on the market, is now available in 33 centilitre one-way bottles and, as a smooth and creamy variant, both on draught and in 440 millilitre cans. It has also received numerous prestigious international awards since its relaunch in 2016, the most recent being a Bronze Medal in October when it won the English Style Bitter Category in the European Beer Star competition, one of the most challenging competitions worldwide.

Double Red also continues to be recognised, winning a Silver medal in the Australian International Beer Awards this year. In these highly competitive international beer competitions, our brews are up against literally hundreds of top-quality beers, including an ever-increasing range of Craft and Specialty Beers, from across the world. The on-going success of several of our Maltese beers is therefore a clear testament to the skills and dedication of Farsons' team of brewers and also reaffirms our high-quality standards.

Increasing sales of the Farsons Classic Brews range on the local market is significant, as we compete against an ever-increasing range of craft and specialty beers from all over the world. The underlying drivers of the growing craft sector – small scale, local, exclusive, artisanal, flavourful, innovative – suggest that growth is likely to be sustained in the immediate future.

Farsons Blue Label Ale, an exceptionally full flavoured and full bodied beer brewed with passion and crafted with pride using selected English hops and malt

"OUR FARSONS CLASSIC BREWS CONTINUE TO GAIN TRACTION ON THE LOCAL MARKET."

INTRODUCING DOUBLE RED

NITRO SMOOTH & CREAMY

Double Red Nitro Smooth & Creamy – now available in a can with an inbuilt widget allowing you to enjoy this special ale from the comfort of your home. This widget technology releases just the right amount of nitrogen to create the perfect surge and distinct smooth & creamy finish.
6.8% ABV

CARLSBERG 40 YEARS IN MALTA

In 1978, Simonds Farsons Cisk plc signed an agreement with Carlsberg Breweries A/S giving Farsons the license to brew Carlsberg in Malta; sales of the locally brewed beer commenced a few months later. 2018 therefore marked 40 years since this milestone and we were proud to host the Managing Director for Export and License, Mr. Peter Hammarstedt, together with the Vice President for Western Europe Exports, Mr. Jens Peter Philbert, to mark this prestigious occasion. The four decades of collaboration have been an inspiring and unique journey for both Farsons and Carlsberg. With a completely refreshed brand image launch recently globally, and a shared passion between the two companies, there are exciting times ahead for what is *probably the best beer in the world*.

Skol, also brewed and distributed in collaboration with Carlsberg International, continued to gain traction and popularity across the Maltese market, with high availability and visibility, offering the more price-conscious consumers excellent value for money.

Carlsberg Breweries and Simonds Farsons Cisk commemorate 40 years of collaboration with a visit by Carlsberg Brewery officials, Peter Hammarstedt – Managing Director Export & License, Jens Peter Philbert – Vice President – ELUD Western Europe and Sidsel Marie Lyhne – International Commercial Graduate.

INTERNATIONALISATION

During 2018 we continued to grow beer volumes and also widen our distribution base in a number of export markets. That said, the export business is fraught with numerous challenges, and our efforts are not always immediately successful. Nevertheless, we persevere in line with our Group's over-riding growth objectives, encouraged by the progress we have registered thus far.

Italy, our largest international beer market, is a key area of management focus. We have an increasing number of importers and distributors now covering mainland Italy and Sicily, and have also appointed two General Sales Agents. Notwithstanding the challenging economic environment in 2018, and poor weather conditions resulting in a late start to summer, importers in Rome, Naples, Bari and Milan continue to register encouraging growth as a result of a combination of sales and marketing incentives.

We remain focused on further enhancing our service and credibility with the trade through a gradual and prudent build-up of targeted brand building and marketing activities. Equally, we remain focused on improving the bottom line, which is registering a stepped improvement, following a mix of new product innovations, enhanced system controls and significant operational investments which have led to lower product costs.

In the **United Kingdom**, efforts to widen Cisk Lager's customer base have been ongoing, with a new sales and marketing boutique agency in place to support the drive to win more trade accounts. Following in-depth trade and consumer research, a trial is currently underway to introduce Cisk Lager on draught and in canned packages. Despite the uncertainty created by Brexit and the highly competitive nature of the UK market, unique opportunities and pockets of success encourage us to persist in our drive to develop this market.

Venturing further afield to the Middle East, we also introduced Cisk Excel and Blue Label in **Bahrain**. Following a favourable initial response from the trade, Cisk Excel was quickly adopted by a leading importer to replace an international beer brand on draught, alongside Blue Label, available in a nitrogenated can package. Discussions and new product development plans are underway to widen Farsons' presence in the Middle East, which has a sizeable expat community and lucrative beer market.

Stable beer volume and re-orders are being registered in **South Korea** and **Israel**, where Farsons' products are respectively available in the off-trade and on. The primary product being exported to South Korea is Cisk Lager in cans, and it is available in a number of retail outlets. In the case of Israel, Cisk Lager and Cisk Strong are available on draught, within the on-premise segment.

Soft drink export sales proved robust in 2018 with a strong performance registered in **Poland**, where Kinnie continues to win consumer favour. This market is expected to show accelerated growth in 2019, as the new Kinnie brand identity and packaging is released, spearheaded by the new premium, bespoke 25 centilitre glass bottle, designed for the on-premise segment.

A significant investment in ongoing consumer research was initiated in **Belgium** and **Holland** to assess Kinnie's potential in these markets. Discussions are underway with potential investors, the outcome of which will largely depend upon the results of this market research. Opportunities for Kinnie in the United Kingdom and **Germany** are also being assessed, while our Kinnie franchise operation in **Australia** registered another year of profitable growth.

Kinnie, Malta's favourite soft drink in a glass of it's own!

NON ALCOHOLIC BEVERAGES

Consumption of carbonated soft drinks continues to be flat, at best, as the segment continues to face the onslaught and negative effect of a number of global issues. The ongoing global debate on plastic, sugar and artificial ingredients – coupled with a shift towards all-natural and 'better-for-you' products, better health and wellness – have reduced overall consumption in this category, as consumers seek alternative beverages.

As previously announced, Farsons has pledged to reduce the amount of added sugar in its soft drinks portfolio by 10% by 2020. In parallel with many other bottlers and producers throughout Europe, we are striving to achieve this through a coordinated and combined programme of reformulation, innovation, education and promotion, and the increased availability of smaller packs. We are proud to report that we are well on our way to reach this target, as will be indicated elsewhere in this Report.

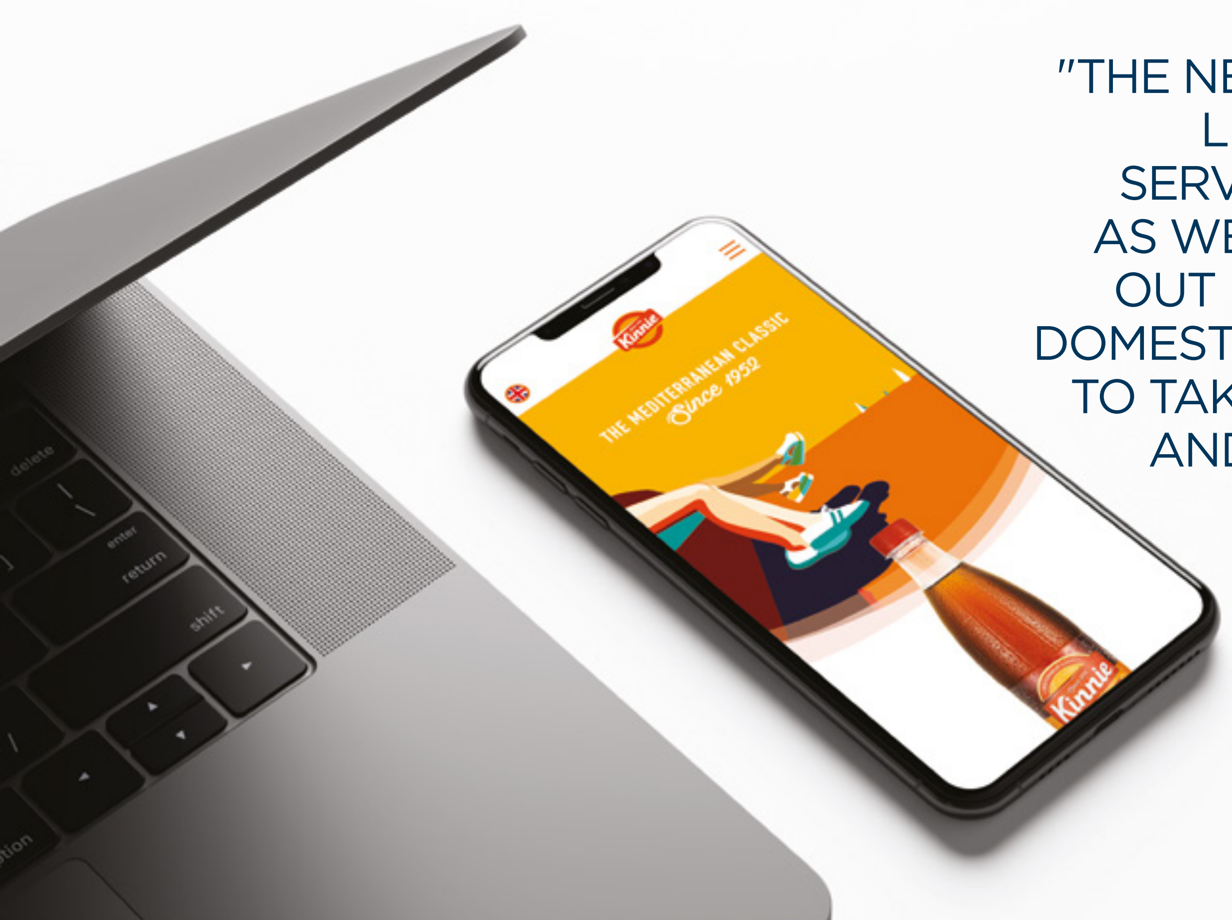
There continues to be a high degree of price sensitivity in the retail segment. With more consumers living their lives 'on the go', they are consuming beverages in new places such as office canteens, gyms, airports, university and college campuses and shopping centres. As lifestyles become more hectic, time is increasingly at a premium for today's consumers - the time spent on shopping trips has more than halved over the last decade. Our understanding of shoppers' behaviour, and their path to making a purchase is critical. Consumer perception of discount retailers has also changed, and such outlets are no longer sought after solely by lower-income groups.

All these changes and trends undoubtedly challenge us to continue to be innovative in all our marketing campaigns, promotions, new product launches and initiatives. Against such a backdrop, it is therefore very satisfying to report that most of the brands in our soft drinks' portfolio continue to perform well.

Kinnie, was given a new look in time for the 2018 summer season. Now positioned as the Mediterranean Classic Since 1952, the new brand livery includes not only a new brand identity, but also a new bespoke shape for the PET bottle, the launch of a convenient 1 litre PET bottle, and a completely revamped design for the popular 33 centilitre cans. A uniquely designed 25 centilitre glass bottle, reminiscent of the original 1952 glass one, was also recently launched.

Drawing on Mediterranean origins, from the Sicilian groves of 'chinotto' oranges, the new 'brand world' for Kinnie aims to elevate the brand's iconic status both in Malta and beyond, paying homage to its heritage whilst adding a fresh contemporary dimension.

Bold illustrations, depicting familiar scenes and sights which many consumers have grown up with, accompanied the launch and we are proud to report that the reaction from loyal consumers remains extremely positive. We are confident that the new brand livery will serve us well as we venture out from our domestic market to take on new and exciting markets.



"THE NEW BRAND LIVERY WILL SERVE US WELL AS WE VENTURE OUT FROM OUR DOMESTIC MARKET TO TAKE ON NEW AND EXCITING MARKETS."


PROUDLY SUPPORTING PURE TALENT
Francesca Curmi
Top World Junior Player
San Michel
Pure Table Water
www.sanmichel.com

Simonds Farsons Cisk and PepsiCo celebrate 40 years of partnership. From Left to right - Norman Aquilina - Group Chief Executive, Simonds Farsons Cisk, Silviu Popovici – President of PepsiCo Europe, Sub-Saharan Africa, Louis A. Farrugia – Chairman, Simonds Farsons Cisk, Christophe Guille – VP/GM PepsiCo Central Europe and Greater Balkans

It is extremely gratifying to report positive results for the **Pepsi** brand during 2018, a very eventful year which also marked 40 years of our partnership with PepsiCo International, with whom we signed a franchise agreement in 1978.

Several brand and marketing initiatives to celebrate this significant milestone were implemented throughout the year, and we were also fortunate to welcome the President of Europe, Sub-Saharan Africa, Mr. Silviu Popovici, and members of his management team to Farsons.

The year was an eventful and positive one, with Pepsi-Cola once again being confirmed as an official sponsor of the ever-popular UEFA Champions League (UCL). A successful 'on-pack' promotion was launched in the early part of the year, offering consumers the opportunity of winning an all-inclusive package including tickets to watch the UCL Final and Semi-final matches.

Subsequently, we introduced the highly popular Pepsi Taste Challenge which had previously been conducted locally in the early 1990s. During this fun "blind test'' challenge, consumers were invited to select their preferred cola taste after tasting samples of cola without any branding. Thousands of participants were involved, and we are happy to report that over 63% of them selected the taste of Pepsi-Cola as their favourite choice.

A once-in-a-lifetime opportunity for local football fans to take a selfie with the Champions League Trophy

During the last quarter of the year, we celebrated Farsons' long partnership with Pepsi with several events, culminating in 40 persons – comprising of employees, trade clients and Pepsi consumers – experiencing Pepsi's hospitality at a number of UEFA Champions' League matches during December.

The other brands in the PepsiCo portfolio, **7-Up, Mirinda, Lipton Ice Teas** and **Gatorade**, each faced their own set of challenges whether in terms of fierce price-based competition, increasing levels of better priced parallel imported products, or new product introductions. Overall however, we achieved positive results throughout the portfolio.

The water market in Malta remained highly competitive and very crowded – both with local brands as well as many imported ones. Farsons' water portfolio is headed by the popular and widely available household favourite **San Michel**. As a sponsor and supporter of the local sports scene for many years, during 2018 we appointed Francesca Curmi – a rising Maltese tennis player making waves on the global tennis circuit - as brand ambassador for San Michel Table Water.

This is the culmination of many years of investment by our San Michel brand in Maltese tennis. Our collaboration with Francesca underlines our commitment to support local talent as well as our belief that, despite the challenges and limitations which may arise from Malta being a small country, the sky is the limit for those who persist and persevere.

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

FARSONS BEVERAGE IMPORTS COMPANY (FBIC)

FBIC achieved budgeted levels of profitability and registered increased sales across all the market segments which it serves. It is encouraging that growth was attained both organically as well as through the addition of new brands to our portfolio.

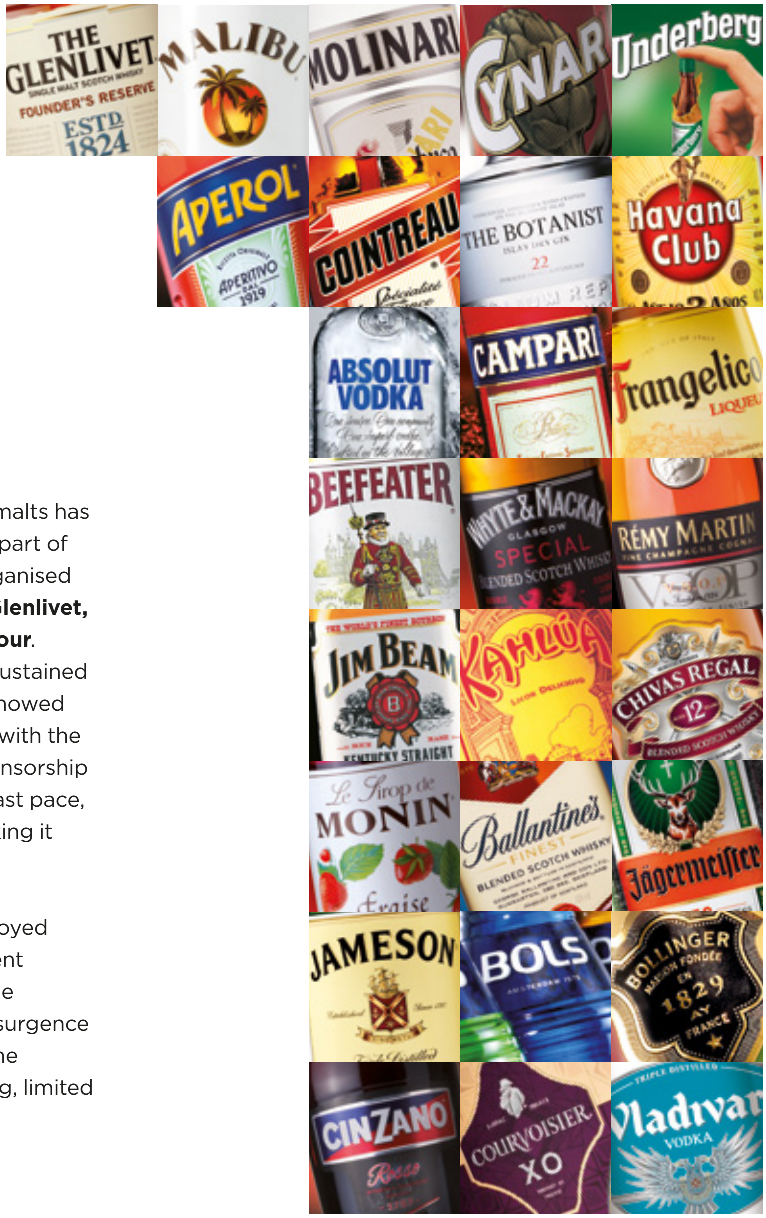
Within our range of imported beers, **Budweiser** had an exciting year, being both the official beer of the FIFA Football World Cup as well as the main sponsor of Tomorrowland, one of the world's largest dance music festivals – two connections which helped to strengthen Bud's global image in Malta.

Corona also performed well, profiting from a strong programme of marketing and promotional activities to fuel its iconic status. **Guinness** also maintained a steady growth, with sales increases throughout the year, following on from the St Patrick's Day celebrations which have become a major attraction in Valletta, St Julians and other localities. Building on the growing trend for craft and artisan beers, we have strengthened our selection by introducing **Grimbergen**, a range of renowned Belgian Abbey beers, originally brewed by Norbertine monks in 1128, and also **Kronenbourg 1664** Blanc, a premium wheat beer from France.

Our cider sales were boosted through the introduction of **Old Mout**, a range of flavoured ciders from New Zealand with a 70-year history, which have been very well received by the market. **Strongbow** also maintained its growth trend, building on the Dark Fruit flavour which was launched last year.

In the spirits sector, we are very proud to report that Gruppo Campari decided to entrust FBIC with the representation of two more of their core brands: **Averna**, a well-known brand in Malta, and **Bulldog Gin**, a premium brand which is growing fast globally. This move has reinforced the long-standing relationship we have enjoyed with Campari over the last 65 years.

Our portfolio of premium gin brands, strengthened by the addition of Bulldog, has continued to show considerable growth, with a wider availability and presence achieved by all brands. **Beefeater's Gin** has also been active and has benefitted from the increased interest in the gin category.



"GROWTH WAS ATTAINED BOTH ORGANICALLY AS WELL AS THROUGH THE ADDITION OF NEW BRANDS TO OUR PORTFOLIO"

In the whisky segment, the positive trend for single malts has been maintained despite increased competition. As part of our ongoing educational tasting programme, we organised several sessions showcasing expressions from **The Glenlivet, The Dalmore, Isle of Jura, Bruichladdich** and **Aberlour**. Within the blended whisky category, **Chivas Regal** sustained its iconic position in the market whilst **Ballantine's** showed positive brand development through its association with the electronic music scene, supported by the global sponsorship of Boiler Room. **Jameson's** continued to grow at a fast pace, with its cool image and loyal consumer following taking it beyond the Irish whiskey category.

Aperol maintained the positive sales trend it has enjoyed for the last few years, with Aperol Spritz being present everywhere during the aperitivo hour; meanwhile, the **Campari** Tonic Long Drink has contributed to the resurgence of this brand. **Absolut** strengthened its position as the leading premium vodka on the market and its striking, limited edition 'Love' bottles were quickly sold out.

Havana Club continued to increase its market share in the rum sector, building on its real Cuban heritage in advertising and promotions. The programme behind **Cointreau** this year focused more on the global platform promoting the margarita as the signature drink. With **Jagermeister**, we extended the successful 'après-sea' promotional activations to other beaches, which led to wider brand awareness and good sales increases.

Our established strategy on wines led to continued positive results throughout this financial year. In restaurants and other specialist outlets, we organised a series of very successful wine-tasting events, often supported by wine-makers or representatives of our principals, to extend the knowledge and awareness of the different brands we represent. We also extended our premium wines portfolio by taking on the distribution of three highly-ranked global wine brands: **Brancaia**, **Fratelli Berlucchi Franciacorta** and **Chateau d'Esclans.**

FARSONS GROUP
Farsonsdirect
BEVERAGES & MORE

FARSONSDIRECT

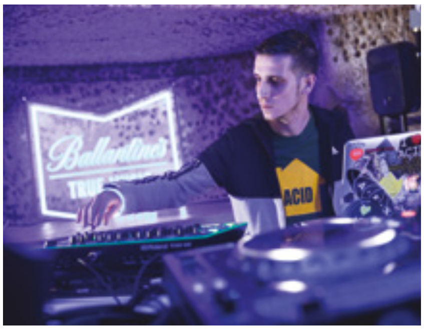
Farsonsdirect had a good year, both in business-to-business trade as well as with our private clients. A programme of tutored tastings on wines and spirits was run throughout the year, regularly attracting a wide variety of customers. Our increased presence on digital media has led to wider customer awareness of our outlet and the different brands in our comprehensive portfolio.

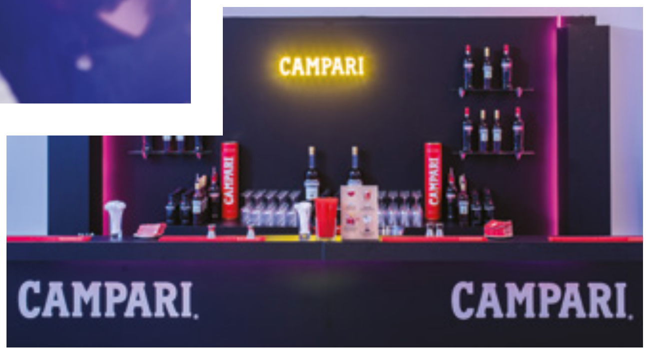
A complete refurbishment of the outlet is currently being planned. This is expected to improve the shopping experience with plans for increased and improved shelf-space to allow us to better display the wide array of products we offer. The identity of Farsonsdirect is being completely refreshed, with plans on making it much more contemporary and relevant to today's consumer.


CHIVAS


APEROL SPRITZ


APEROL SPRITZ


Ballantine's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CAMPARI

FARSONS GROUP
Quintano
FOOD IMPORTERS

QUINTANO FOODS

Despite increased competition and an evolving market, Quintano Foods managed to register growth in sales and contribution – however increased distribution costs put pressure on our profitability levels.

Following the strengthening of the management team in 2017, we embarked on a review of work practices with a view to improving efficiencies and offering a better service to clients. This included a review of the Enterprise Management System (ERP) software where a decision was taken to install a totally new and more efficient system. A locally developed system, designed specifically for the local Fast-Moving Consumer Goods sector, was identified and installed towards the beginning of the year. This is facilitating the processing of sales orders, better stock management, and further improving our reporting systems to help us take more informed decisions.

We implemented a number of effective marketing campaigns on individual brands with the objective of increasing in-store visibility and encouraging consumer pick up. These campaigns were complemented with a drive to improve market penetration levels of the brands we represent within the retail sector.

"WE IMPLEMENTED A NUMBER OF EFFECTIVE MARKETING CAMPAIGNS ON INDIVIDUAL BRANDS WITH THE OBJECTIVE OF INCREASING IN-STORE VISIBILITY AND ENCOURAGING CONSUMER PICK UP"

We continued strengthening our leadership position in the yogurt segment with our flagship brands **Danone** and **Mevgal**. Both have maintained a very strong market position, delivering increased volumes and market share. The organic brand **Fattoria Scaldasole** and **SKYR**, the Icelandic protein yogurts, have also proven to be a healthy addition to our portfolio delivering positive sales and contribution.

In the snacking sector, we have continued to deliver sales and contribution growth with our more established brands, primarily with **Walkers**, **Doritos**, **Snack-A-Jack** and **Popz**, to name a few. In line with market trends, launching brands such as **Nature Addicts** and **Propercorn** is also delivering encouraging results.

We continue to pursue new business development initiatives, strengthening our efforts to increase the sales and visibility of various new brands launched throughout the year, which are adding a positive and encouraging contribution to overall sales.

As with all other entities forming part of the Farsons Group, Quintano Foods prioritises quality and product excellence. This subsidiary further enhanced its quality and health and safety standards and achieved very high scores in audits carried out by international auditors.

FARSONS GROUP
Food Chain
RESTAURANTS

FOOD CHAIN

Food Chain, which comprises of six Burger King, five Pizza Hut and three KFC outlets, registered another positive year, with record profitability levels.

Our Food Chain business has also strengthened a number of its central head office functions, with several new initiatives focussing on maximizing employee performance. These include quarterly Food Chain Super Hero awards as well as a Restaurant of the Year award. We strongly believe that we need to focus on our employees' wellbeing and continuously strive to motivate staff, which is leading to improved results.

During the year we have changed the POS systems at both Burger King and KFC with a more efficient one. The new system is linked to the kitchen and other operating sections, such as menu boards, delivery service and Drive Thrus. It also offers better food preparation forecasting and comes with a very powerful cloud-based reporting platform.

PIZZA HUT

During the year we finalized the remodelling of all our Pizza Hut restaurants, all of which now sport a warm and comfortable image. Celebrating the 'Love of Pizza', in-store graphics at our restaurants highlight Pizza Hut's craft and passion, emphasizing the freshness of the dough which is prepared daily in-store.

Apart from strengthening our dine-in experience, we have also focused on our delivery sales channel. We have restructured the working conditions of our bikers, and engaged more resources, in order to improve our service and reduce waiting times. We also continue to strengthen our on-line ordering web portal (www.pizzahut.com.mt) with a loyalty scheme rewarding loyal customers. We continue to see a switch from telephone to on-line orders, with almost half of delivery sales now channelled through our online platform. We are also reviewing the POS system with a view to introducing a more efficient one.

The pizza industry in Malta is very competitive, placing us under some pressure, obliging us to provide ongoing campaigns and value offers. Therefore, we ran several promotions aimed at providing guests with added value on dine-in and delivery orders throughout the year, and launched several new innovative products as limited time offers.

KFC

KFC was the franchise recording the largest sales growth, with same store sales increases in all stores, generated by both guest count and average spend.

Our Drive Thru service remained a main area of focus, with emphasis placed on improving speed of service and accuracy of orders. Both these factors were appreciated by our customers, and sales have increased by almost 15% over the previous year.

We also focused on our delivery sales channel, which remains an important part of this business, reducing waiting times and improving service levels.

We continue to work hard to ensure KFC remains a highly visibly and valued brand, relevant to all generations of consumers in Malta. Apart from having recently refurbished all stores, we launched a number of fresh marketing campaigns with innovative limited time offers such as the Double Down.

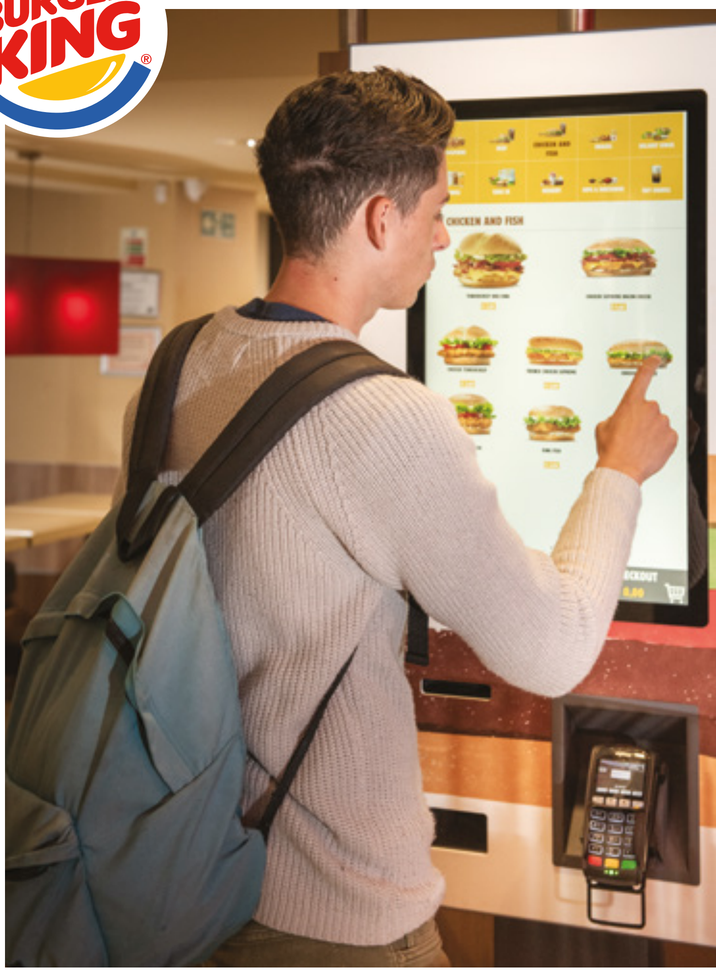
BURGER KING

Burger King also experienced another positive year, with same store sales increasing in all six stores as a result of increases both in guest count as well as average spend. Our Valletta and MIA stores, which are located in highly touristic locations, have registered the largest growth. The Qormi store also continues to register encouraging sales increases, particularly with Drive Thru, with double digit percentage growth.

During 2018 we launched a number of different sandwiches on a limited time offer and embarked on various promotional campaigns to further strengthen our presence. Notwithstanding the challenging recruitment environment, we have managed to improve our service levels – across all stores – through continued training. This improvement was gauged through feedback received through the Guest Trac program, whereby guests leave us anonymous feedback about their experience.

Following the introduction of our new POS system, we also introduced self-ordering kiosks in Valletta on a trial basis. These kiosks have been a success, reducing queues and improving the overall customer experience.

Burger King is constantly improving its operational standards and a new online system for managers and employees was introduced. Employee training also takes place online, with an individual training schedule and progress reports.



FARSONS GROUP
EcoPure
BEVERAGE SERVICES

EcoPure has continued to improve its performance, with increases in both sales and profitability. This was achieved as a result of an increase in new client accounts in both domestic and business segments.

The convenient water delivery service continues to attract new customers and with the current economic scenario, new businesses are emerging, resulting in new opportunities for growth. The improved efficiencies of the water vendor routes and cost containment have also contributed to our positive results.

In order to benefit from Farsons' Logistics infrastructure, we relocated our EcoPure offices to the newly refurbished Farsons Logistics Control Centre, facilitating the integration of key functions, and improving efficiencies whilst maintaining a high level of service.

Whilst we envisage further growth during the current year, we also need to be mindful of increasing distribution and administrative costs. In addition, there are ongoing challenges on the human resource side. We will therefore focus on maintaining a motivated workforce and attracting skilled delivery personnel, as we strive for cost containment and optimal water vendor routes.

A number of legislative changes are expected as a result of the eventual introduction of the Beverage Container Refund Scheme (BCRS), which we believe will create new customer segments. Here, we have already started to actively prepare ourselves to be better placed to exploit the expected opportunities for growth.

"WE CONTINUED TO IMPROVE OUR PERFORMANCE, WITH INCREASES IN BOTH SALES AND PROFITABILITY."

“EMBRACING INNOVATION IS NOW FIRMLY ESTABLISHED AS A CENTRAL PILLAR OF OUR STRATEGIC VISION AND WILL CERTAINLY CONTINUE TO DO SO.”

STAYING AHEAD

We are steadfast in our determination to forge ahead, leveraging all our Group’s resources and the undoubted strength of all the brands which we own or represent. Success, however, can never be taken for granted and there are diverse and complex challenges in both the food and beverage sectors.

That said, and notwithstanding that, our Group remains very much brand focused, we also readily recognise the human dimension which underpins all that we represent and continue to achieve. Therefore, as I close off my review, this being my ninth as Group Chief Executive, I cannot fail to acknowledge our workforce who contribute so much to our success and to express my appreciation for all their hard work and commitment.

Recognition is also due to the management team who continue to act as important catalysts in the attainment of our resilient results. Likewise, I need to express my appreciation for the confidence and support shown throughout the year by our Chairman, Louis A. Farrugia, along with the rest of the Board.

Standing still can never be an option if we are to stay ahead of the curve. Embracing innovation is now firmly established as a central pillar of our strategic vision and will certainly continue to do so.

Going forward, there are a number of clear market signals which require our vigilant attention. Legislation is expected across a number of areas, particularly in relation to the campaign to reduce plastic, with collection and recycling targets now becoming mandatory instead of merely corporate commitments. Moreover, health and wellness, along with the sensitivities of alcohol consumption, the environment and other related issues are increasingly strident rallying calls across the globe.

Additionally, consumers are becoming highly opinionated, and more informed, whilst trade partners are more demanding and competition more intensive. An open and inquisitive mind, along with a willingness to embrace new strategies, are vital for our Group to continue to succeed in highly competitive and challenging markets.

As we look ahead, our track record provides ample evidence that Farsons possesses these credentials.

This augurs well for our continued future success.

Norman Aquilina
Group Chief Executive
15 May 2019

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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2019

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 January 2019.

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.

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 2019.

The Group registered growth across all segments both in turnover and operational profit. Turnover increased by 5% to €99.8 million. Profit for the financial year ended 31 January 2019 amounted to €15.1 million, an increase of 10%. Results for this year relate only to continuing operations following the 'spin off' to Trident Estates plc in the previous financial year. Pre-tax profit from continuing operations amounted to €14.1 million, an improvement of 5% over the same period last year. Return on turnover from continuing operations at 14% was at the same level as the previous financial year.

The operational ratio for the Group was 24.4% as compared to 23.6% the previous year. The increase in this ratio reflects a number of factors including the impact of higher distribution and related costs in an increasingly tight labour market as well as the effect of the non-consolidation of Trident Estates plc in FY 2019. Enhanced processes implemented in the management of Receivables have resulted in a lower impairment provision.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to €23.2 million, an increase of 5% over last year. The Group's net borrowings decreased by €6 million, resulting in a lower gearing ratio of 23.4% as compared to 28.8% for 2018. Total equity of the Group increased from €96.6 million to €108.3 million, reflecting the profit generated net of the dividends distributed during the year.

INFLUENCING FACTORS AND SEGMENTAL PERFORMANCE

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

The Group's focus on the changing market trends and its ability to respond to these market conditions has contributed to the improved performance during this financial year. The country's continued positive economic performance together with the sustained growth of the tourism industry, have also contributed positively to the performance of the beverage and food segments.

The various proactive investments made by Farsons over the past 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.

Despite growing aggressive competition within the local beverage market, the Company has registered growth across its beer portfolio which has continued to evolve in response to changing consumer preferences.

The beverage importation company has continued to enhance its product offering in the beer, spirits and wine portfolios. The company retained its positive trend in turnover and profitability. Management's focus on the outstanding product range, together with response to the changing consumer trends, were important elements leading toward the growth registered within this segment.

The Group's food importation company which operates in a highly competitive segment has registered satisfactory growth in its turnover. The company's higher turnover also resulted in improved contribution levels whilst the prevailing challenges on distribution – related costs had an impact on the profitability levels.

The franchised food business registered another positive result, with growth in sales, guest count, guest spend and profitability over the previous year. Growth was registered in the franchises for Burger King and KFC, whilst the increasing competition and changing customer trends in the pizza industry dampened the growth potential of the Pizza Hut operation. Further investments were undertaken during the year to refurbish a number of outlets for the three franchises thereby offering an improved customer experience.

INVESTMENTS

During FY 2019 the Group invested a further €6.6 million to complement the major plant investments carried out in previous years. Continuous investments to upgrade existing production and logistics facilities will continue to be undertaken in order to ensure that the Group remains a leader in our chosen business sectors.

During the current financial year the new packaging plant for the filling of kegs and returnable water bottles was commissioned. The new plant based on robot technology brought about greater operational efficiency. Further investments were carried out on the PET and packaging lines to enhance operational efficiency and provide upgrades for the launch of the new Kinnie PET bottles launched during the summer.

An extension to the existing logistics warehouse together with a new truck depot were completed and commissioned at the start of the financial year.

The Group embarked on the restoration and rehabilitation project of the Farsons Old Brewhouse towards the end of the financial year. This project is scheduled to be completed in the first quarter of 2021.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2020

The Group will continue to build on its two growth pillars namely, innovation and internationalisation. Following the significant investments made by the Group, further tapping export markets remains a priority, albeit this presents new and ongoing challenges that nonetheless continue to be addressed.

Innovation also remains high on the Group's agenda and management will continue to prioritize 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 committed to contribute to the objective of reducing sugar consumption by 10% until 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 Group is cautiously optimistic of its ability to continue to deliver growth in its turnover and profitability in a growing local economy. Changing trends in tourism and visitor spend patterns will require careful monitoring. The investments made by the Group over the past years have significantly contributed to the improved performance. Continuous growth is also dependent on favorable economic conditions leading to increased consumer demand, equitable market conditions and a level playing field for all operators in the sector.

Legislative changes implementing the Beverage Container Refund Scheme necessitate 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 trend in profit growth reported over the past years.

FINANCIAL RISK MANAGEMENT

The Group and Company is exposed it 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 71.

The Board declared a net interim dividend of €1,000,000, which was paid to the ordinary shareholders on 10 October 2018, and will recommend the payment of a final dividend of €3,000,000 at the Annual General Meeting scheduled for 24 June 2019.

The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 25 June 2019 (also out of tax exempt profits) to those shareholders included on the Register of Members of the Company as at 25 May 2019. As a result, total declared dividends relating to the financial year ended 31 January 2019 shall amount to €4,000,000 (2018: €3,600,000).

Retained profits carried forward at the reporting date amounted to €50,249,000 (2018: €38,718,000) for the Group and €50,712,000 (2018: €41,347,000) 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, LLM (Dal)
Mr Roderick Chalmers M.A. Div. (Edin.) F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms Marina Hogg
Mr Michael Farrugia M.A. (Edin.), MBA (Warwick)

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

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

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

The financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2019 are included in the Annual Report 2019, 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 2019, 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 98.

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 2019, 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
15 May 2019

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

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

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, Mriehel 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. Each ordinary share carries equal voting rights.

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 €99.8 million during the year under review and had an average of 853 (full time equivalent) employees on its books during the year ended 31 January 2019.

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 dealings and are guided by a strong sense of values where trust is central to all that we do.

Our Commitment to the Environment

The Group Chief Executive'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. In his review, the Group Chief Executive refers to the significant effort and investment which 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 a significant reduction of water usage, both through plant efficiency and the capture and recycling of water.

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) and this has decreased during the year ended 31 January 2019. Water used in our products goes through extensive filtering, purification and treatment processes in order to meet our own high water quality standards.

As stated in the Group Chief Executive's Review, the capture and re-cycling of water during 2018/9 was significantly higher than that recorded during 2017/8 in volume terms and we are committed in our efforts to enhance our efficiency ratings further in the years to come.

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.

The Brewery operation secured an improved result this year over 2017/8 in terms of energy intensity with a 6% reduction in the rate of energy consumed per hectolitre of beverage produced. This result follows a trend which has persisted over the past years.

Efforts to reduce greenhouse gas emissions proved successful in that although the volume of Brewery operations increased year on year, emissions decline albeit marginally during the year ended 31 January 2019.

The Group continued with the process to convert its distribution trucks fleet to the latest EU emissions standard. Once completed, the Group will be compliant with the best environmental benchmarks encompassing 75 delivery trucks. At the same time, a number of electric powered cars will be introduced in 2019 to further our credentials with respect to the reduction of emissions in the conduct of our operations.

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. 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. The Group supports the environmental objectives of the Beverage Container Refund Scheme which is due to be introduced over the next year. It is actively engaged in discussions with other stakeholders with a view to the Scheme's implementation and successful achievement of the environmental objectives which will be set in this regard.

During the past year the supply of PET bottled products for internal consumption was substituted by glass bottles. Single use items at the canteen and kitchenettes were substituted with crockery, glass and porcelain items and the dipensing of styrofoam cups at coffee vending machines was discontinued. Organic waste seperation and collection from the canteen and kitchenettes is now regularly in place as was the installation of recycling stations and bins in all eating areas. Burger King and KFC have taken added initiatives to reduce packaging waste and discontinued the practice of offering single use plastic straws and cup lids to dine in customers. Equally important, all waste electrical and electronic equipment (WEEE) items comprising vending machines, fridges and dispensers among others, placed on the market and all WEEE items utilized within the Group's own premises are fully recovered and returned for recycling.

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 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 firmly believes in learning and development as key to operational excellence. Learning programmes include technical training and programmes related to health and safety together with development programmes for management and leadership. During the year ended 31 January 2019, a total of 11,500 hours of training were implemented, across all employee categories. This includes Group employees other than Food Chain crew, who carry out training requirements as per mandatory franchise guidelines.

The Learning and Development programme includes opportunities for employees to further their educational development through study subsidy schemes, including educational leave to engage in learning programmes that are accredited and lead to recognise qualifications.

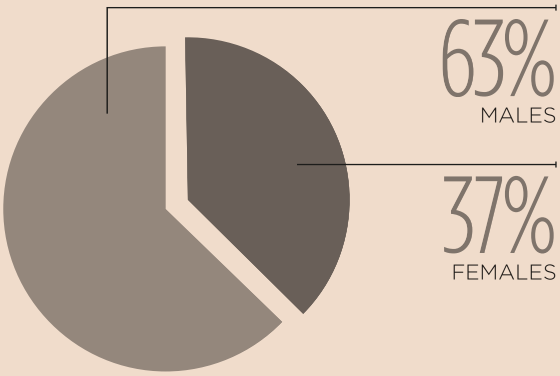
EVALUATION AND APPRAISAL

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. The performance management programme ensures that employees are engaged in achieving company targets and operational excellence.

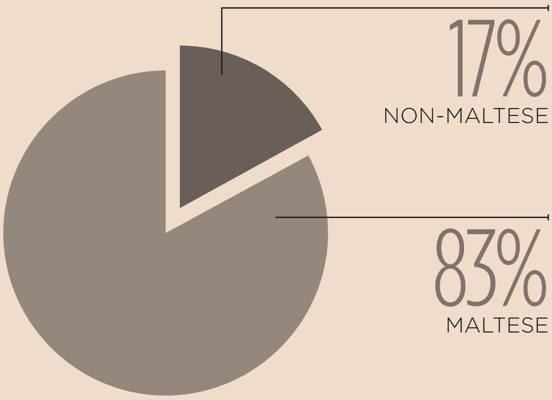
DIVERSITY, INCLUSION AND EQUALITY

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 in this regard.

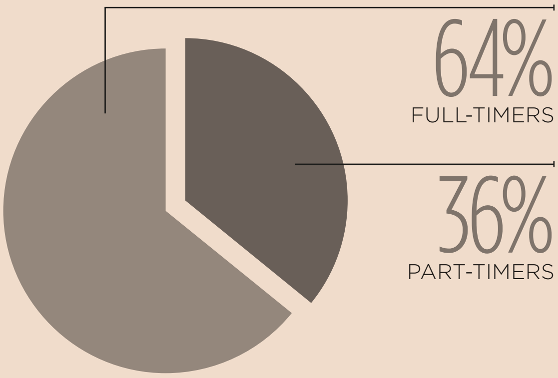
Employees of the Farsons Group by gender



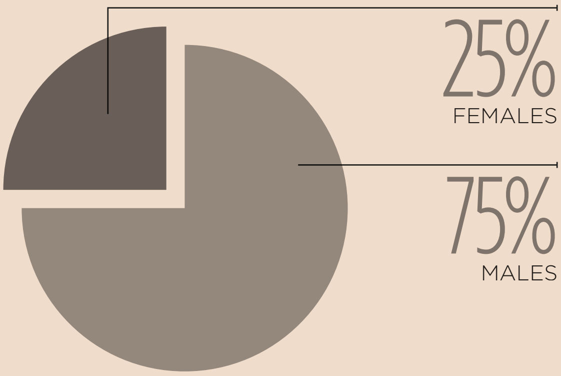
Employees of the Farsons Group by nationality



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.

The Company's efforts to train its staff and to improve its training methodology in continuous education to prevent injuries and health impairment as well as education for the safe operation of equipment, are ongoing. During this financial year, the Company conducted 6,238 training hours towards this aim. This training was attended by 1,342 participants, equivalent to a rounded average of 5 hours of training per employee.

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. As at 31 January 2019, we are well on track to meet our 2020 commitment. 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. The central message of the 2018 campaign 'Take Control!' was focused on the promotion of responsible drinking. 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 standards is uncompromising and in keeping with 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, Fondazzjoni Patrimonju Malti and St Paul's Pro-Cathedral. 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. Over the past year, KFC extended its efforts in the Global Food Donation Program 'Harvest' through which it donated 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

The Board is committed to sustain and renew the Group's efforts towards the protection of the environment, the welfare of society and respect for human rights. This commitment is present in the manner the Group conducts its operations and in the way we manage our business. Management is mindful of the direction provided by the Board and is in turn committed to benchmark its actions on this score and to enhance its achievements. The Board of Directors is engaged in a supervisory role to ensure that both the Farsons Group and the communities within which it operates benefit from the highest standards possible with regard to the environment, welfare of society and human rights.

Approved by the Board of Directors on 15 May 2019 and signed on its behalf by:

Louis Farrugia

Louis A. Farrugia	**Marcantonio Stagno d'Alcontres**
Chairman	*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.), MBA (Warwick) – *Executive Director (Operations & Business Development)*

Non-Executive Directors

Mr Marcantonio Stagno d'Alcontres – *Vice-Chairman*
Marquis Marcus John Scicluna Marshall
Dr Max Ganado LL.D, LLM (Dal)
Mr Roderick Chalmers M.A. Div. (Edin.) F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms Marina Hogg
Baroness 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 in that they do not hold any relationship with the company, a controlling shareholder or their management which creates a conflict of interest such as to jeopardise exercise of their free judgement.

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. Although, the Board believes that by definition, employment with the Company renders a Director non-independent from the institution, this should not however, in any manner, detract from the non-independent Directors' ability to maintain independence of analysis, decision and action.

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

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

Meetings held:	13
Members attended:	
Mr Louis A. Farrugia	13
Mr Marcantonio Stagno d'Alcontres	13
Marquis Marcus John Scicluna Marshall	12
Dr Max Ganado	11
Mr Roderick Chalmers	13
Ms Marina Hogg	12
Mr Michael Farrugia	12
Baroness Christiane Ramsay Pergola	7*

** of which 1 meeting was 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 is 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:

- Mr Roderick Chalmers – *Chairman*
- Ms Marina Hogg
- Marquis 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 2019, the Audit Committee held six 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 Committee, 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%) of the ordinary issued share capital or more, is entitled to appoint and replace a Director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of Directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 108), 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, 1995, the Board may call an extraordinary general meeting on the requisition of shareholders holding not less than one tenth (1/10) of the paid up share capital of the Company. Minority shareholders are allowed to formally present an issue to the Board of Directors.

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

PRINCIPLE 11: CONFLICTS OF INTEREST

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest. 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 2019 and as at 15 May 2019 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 Provision 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 the Remuneration Committee as it was previously appointed, was chaired by the Chairman. The non-compliance subsisted up to 1 May 2019 when the Chairman relinquished his role on the Committee and the Vice-Chairman was entrusted to lead the Remuneration Committee.

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 and financial intermediaries 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 15 May 2019 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 Vice-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 any remuneration to an individual director for extra services, the interested Director concerned, 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 2019.

3. Remuneration Statement

3.1 SENIOR MANAGEMENT

For the purposes of this Remuneration Statement, references to 'Senior Executives' shall mean the Group Chief Executive, the Chief Financial Officer, the Chief Operating 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 executives 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	€240,000
Directors' other emoluments	€271,000
Directors' salaries	€75,000

Variable and Non-Variable Emoluments of Directors and Senior Management

	Fixed Remuneration	Variable Remuneration	Share Options	Others
Senior Management	**€520,000**	**€187,000**	**None**	**Non-cash benefits referred to above under 3.1**
Directors	**€508,000**	**€78,000**	**None**	**Non-cash benefits referred to above under 3.2**

pwc

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIMONDS FARSONS CISK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- 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 2019, 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 69 to 109, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 January 2019;
- 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 these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Group and its subsidiaries, in the period from 1 February 2018 to 31 January 2019 are disclosed in note 22 to the financial statements.

Our audit approach

Overview

- Overall group materiality: €704,000, which represents 5% of profit before tax.

- The Group is composed of 7 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	€704,000 (2018: €673,000)
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 €35,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recognition of deferred tax asset arising from tax credits relating to the Group and Company *Refer to note 18*	
The Group has recorded a deferred tax asset attributable to unutilised tax credits amounting to €15.2 million to the extent that it is probable that future taxable profits arising from the operations of the manufacturing arm of the Group will be available to allow the deferred tax asset to be recovered. We focused on this area because of the level of judgement that is applied in quantifying the appropriate tax credits to be utilised and therefore determining assumptions about future profit streams and investment decisions.	We obtained the detailed tax computation and tested the balance of unutilised tax credits carried forward. We evaluated and challenged the Group's budgets, business plans, future investment strategy and assumptions used to determine an estimate of that portion of unutilised tax credits to be used in the foreseeable future and therefore recognised as a deferred tax asset. We were provided with explanations that suggest that there are no indications that the amounts recognised are not recoverable.

How we tailored our group audit scope

The Group is composed of 7 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).

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 55 to 61 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 71 years. The Company became listed on a regulated market on 20 December 1995.

PricewaterhouseCoopers
78 Mill Street,
Qormi, Malta

Stefan Bonello
Partner
15 May 2019

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Non-current assets					
Property, plant and equipment	5	**116,720**	117,475	**109,190**	110,076
Intangible assets	6	**534**	574	**–**	–
Investments in subsidiaries	7	**–**	–	**9,535**	9,535
Deferred tax assets	18	**7,446**	5,341	**8,779**	6,578
Trade and other receivables	9	**2,853**	3,710	**2,853**	3,710
Total non-current assets		**127,553**	127,100	**130,357**	129,899
Current assets					
Inventories	8	**15,165**	13,652	**8,532**	7,635
Trade and other receivables	9	**20,695**	19,051	**16,144**	18,506
Current tax assets		**5**	5	**–**	–
Cash and cash equivalents	10	**7,578**	3,720	**3,453**	1,313
Total current assets		**43,443**	36,428	**28,129**	27,454
Total assets		**170,996**	163,528	**158,486**	157,353

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2019	2018	**2019**	2018
	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**	49,409	**46,137**	46,137
Hedging reserve	15	**(385)**	(495)	**(385)**	(495)
Retained earnings		**50,249**	38,718	**50,712**	41,347
Total equity		**108,273**	96,632	**105,464**	95,989
Non-current liabilities					
Trade and other payables	20	**610**	764	**610**	764
Derivative financial instruments	16	**383**	436	**383**	436
Borrowings	17	**35,058**	33,188	**35,058**	33,188
Provisions for other liabilities and charges	19	**35**	64	**35**	64
Total non-current liabilities		**36,086**	34,452	**36,086**	34,452
Current liabilities					
Provisions for other liabilities and charges	19	**61**	56	**61**	56
Trade and other payables	20	**19,473**	21,507	**12,883**	17,675
Current tax liabilities		**1,257**	910	**–**	–
Derivative financial instruments	16	**209**	325	**209**	325
Borrowings	17	**5,637**	9,646	**3,783**	8,856
Total current liabilities		**26,637**	32,444	**16,936**	26,912
Total liabilities		**62,723**	66,896	**53,022**	61,364
Total equity and liabilities		**170,996**	163,528	**158,486**	157,353

The notes on pages 76 to 109 are an integral part of these consolidated financial statements.

The financial statements on pages 69 to 109 were authorised for issue by the board on 15 May 2019 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	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Continuing operations:					
Revenue	4	**99,798**	94,980	**53,058**	50,924
Cost of sales	22	**(60,125)**	(57,920)	**(24,928)**	(24,802)
Gross profit		**39,673**	37,060	**28,130**	26,122
Selling and distribution costs	22	**(11,496)**	(10,332)	**(8,752)**	(7,628)
Administrative expenses	22	**(12,843)**	(12,066)	**(7,605)**	(7,514)
Operating profit		**15,334**	14,662	**11,773**	10,980
Finance income	25	**–**	–	**85**	139
Finance costs	26	**(1,239)**	(1,207)	**(1,153)**	(1,144)
Profit before tax		**14,095**	13,455	**10,705**	9,975
Tax income	27	**1,036**	949	**2,260**	2,000
Profit for the year from continuing operations		**15,131**	14,404	**12,965**	11,975
Discontinued operations:					
(Loss)/profit for the year from discontinued operations	21	**–**	(642)	**–**	19,403
Profit for the year		**15,131**	13,762	**12,965**	31,378
Basic and diluted earnings per share for the year attributable to shareholders arising from:					
– Continuing operations		**€0.504**	€0.480		
– Discontinued operations		**–**	(€0.021)		
	29	**€0.504**	€0.459		

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Profit for the year		**15,131**	13,762	**12,965**	31,378
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	15	**110**	210	**110**	210
Other comprehensive income for the year		**110**	210	**110**	210
Total comprehensive income for the year		**15,241**	13,972	**13,075**	31,588
Total comprehensive income attributable to equity shareholders arising from:					
– Continuing operations		**15,241**	14,614	**13,075**	12,185
– Discontinued operations		**–**	(642)	**–**	19,403
		15,241	13,972	**13,075**	31,588

The notes on pages 76 to 109 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 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**
Balance at 1 February 2018		9,000	(495)	49,409	38,718	96,632
Comprehensive income						
Profit for the year		–	–	–	15,131	15,131
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	–	110	–	–	110
Total comprehensive income		–	110	–	15,131	15,241
Transactions with owners						
Dividends relating to 2018 and 2019						
– paid in cash	12	–	–	–	(3,600)	(3,600)
Total transactions with owners		–	–	–	(3,600)	(3,600)
Balance at 31 January 2019		**9,000**	**(385)**	**49,409**	**50,249**	**108,273**

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
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**
Balance at 1 February 2018		9,000	(495)	46,137	41,347	95,989
Comprehensive income						
Profit for the year		–	–	–	12,965	12,965
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	–	110	–	–	110
Total comprehensive income		–	110	–	12,965	13,075
Transactions with owners						
Dividends relating to 2018 and 2019						
– paid in cash	12	–	–	–	(3,600)	(3,600)
Total transactions with owners		–	–	–	(3,600)	(3,600)
Balance at 31 January 2019		**9,000**	**(385)**	**46,137**	**50,712**	**105,464**

The notes on pages 76 to 109 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	30	**18,221**	22,933	**15,508**	18,190
Interest received		**–**	–	**85**	139
Interest paid		**(1,239)**	(1,207)	**(1,153)**	(1,144)
Income tax paid		**(782)**	(833)	**–**	–
Net cash generated from operating activities		**16,200**	20,893	**14,440**	17,185
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,602)**	(13,498)	**(5,481)**	(15,533)
Additions to investment property		**–**	(1,706)	**–**	(1,596)
Additions to investment in subsidiary		**–**	–	**–**	(13,002)
Proceeds from disposal of property, plant and equipment		**15**	25	**–**	–
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		**(6,587)**	(21,407)	**(5,481)**	(19,481)
Cash flows from financing activities					
Proceeds from non-current borrowings		**5,800**	322	**5,800**	322
Payments of current and non-current borrowings		**(3,602)**	(2,273)	**(3,602)**	(2,273)
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		**(3,600)**	(3,400)	**(3,600)**	(3,400)
Net cash used in financing activities		**(1,402)**	(656)	**(1,402)**	(656)
Net movement in cash and cash equivalents		**8,211**	(1,170)	**7,557**	(2,952)
Cash and cash equivalents at beginning of year		**(2,492)**	(1,322)	**(4,109)**	(1,157)
Cash and cash equivalents at end of year	10	**5,719**	(2,492)	**3,448**	(4,109)

The notes on pages 76 to 109 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These consolidated financial statements include the financial statements of Simonds Farsons Cisk plc and its subsidiaries. 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 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 2019

In 2019, the Group adopted amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 February 2018.

Other than changing certain accounting policies in particular the policy for financial assets as a result of adopting IFRS 9, 'Financial Instruments', 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 and Company's accounting policies impacting the Group's and Company's financial performance and position. The new accounting policies are disclosed in Note 1 below.

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 that are mandatory for the Group's accounting periods beginning after 1 February 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

The Directors are of the opinion that with the exception of IFRS 16, 'Leases', there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 16, 'Leases'

Under IFRS 16 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 a 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. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group has entered into long-term leases; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the Group has non-cancellable operating lease commitments in respect of long-term office leases amounting to €5,573,000.

The Group will apply the standard from its mandatory adoption date of 1 February 2019 and will apply the modified transition approach. As a result, the Group will not restate comparative amounts for the year prior to first adoption. Under this approach, the lease liability is measured at the present value of the remaining lease payments as at 1 February 2019, which management has estimated to amount to €7,508,000. Right-of-use assets at that date will be measured at an amount equivalent to this lease liability, adjusted for any prepaid or accrued operating lease expenses, with no adjustment to equity.

The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure by amortisation of the right-of-use asset, and an interest cost on the lease liability. On the basis of the lease arrangements in place at 1 February 2019, management estimates that lease costs of €1,430,000 for the year ending 31 January 2020 will be replaced by a notional interest charge that is expected to be in the region of €272,000, and an annual amortisation charge in the region of €1,383,000. This will therefore result in a reduction of approximately €225,000 in profitability for the year ending 31 January 2020.

Lease payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Group's statement of cash flows. The Group's policy is to present interest payments as operating cash flows. Accordingly, lease payments of €1,433,000 for the year ending 31 January 2020, representing lease payments allocated to a reduction in the lease liability, will be reported as a financing cash flow instead of an operating cash flow.

1.2 Changes in accounting policies

(a) IFRS 9, 'Financial Instruments' – impact of adoption

IFRS 9 replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement; the Group adopted IFRS 9 on 1 February 2018, which is the date of initial application of the standard. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets. The Group has taken advantage of the exemption in IFRS 9 allowing it not to restate comparative information for prior periods with respect to classification and measurement and impairment charges.

(i) Classification of Financial assets under IFRS 9

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The transition from IAS 39 to IFRS 9 did not have a material impact on the Group's measurement models applied to its financial assets; the differences between IAS 39 and IFRS 9 consists solely of reclassifications. Reclassification adjustments reflect the movement of balances between categories of financial assets with no impact to shareholders' equity. There is no change to the carrying value of financial instruments as a result of reclassifications.

The application of IFRS 9 resulted in the reclassification of all the Group's financial assets from the 'Loans and receivables' category in IAS 39 to 'Financial assets at amortised cost' under IFRS 9. These assets comprise loans, trade and other receivables and cash and cash equivalents. The new classification requirements have not had a material impact on the Group's accounting for loans and receivables, which continued to be measured at amortised cost upon the adoption of IFRS 9, and they did not have an impact on the classification of the Group's financial liabilities. The changes in classification accordingly had no impact on the Group's and Company's equity and tax balances.

(ii) Impairment

From 1 February 2018 the Group has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group's and Company's financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

For trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. The impact on the Group of this change in the impairment model was considered in view of the quality of the counterparties to which the Group and Company are exposed to credit risk, and the loss allowance is explained in note 2.1 (b). The new policy is disclosed in more detail in note 1.9.

(b) IFRS 15, 'Revenue from Contracts with Customers' – Impact of adoption

IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The new standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative stand-alone selling price basis, based on a five-step model focusing on:

- The identification of contracts, customers and contract amendments;
- The identification of distinct performance obligations (promises made by the supplier), their reference price (individual selling price) and the transfer to the customer of control of performance obligations continuously or at a point in time;
- The determination of the transaction price (consideration promised by the customer), its fixed and variable components (and related recognition restrictions) and its allocation to the performance obligations.

After taking cognisance of the nature of the Group's company contracts with customers, it was concluded that the transition to IFRS 15 was immaterial and no adjustments were made to the Group's and Company's results and financial position.

1.3 Consolidation

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.

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.

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 periodically enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions (see note 1.28).

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 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 1.7).

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 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).

1.7 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.

1.8 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 1.9. 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. These are accounted for in accordance with the requirements of IAS 27. Loans to subsidiaries for which settlement is planned are classified as loans and/or receivables in accordance with the requirements of IFRS 9.

1.9 Financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and measurement

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

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

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

(c) Impairment

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

(i) Expected credit loss model

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

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

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

(ii) Simplified approach model

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

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

1.10 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.

1.11 Trade and other receivables

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

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

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

1.12 Current and deferred tax

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

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

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

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

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

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

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

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 Financial liabilities

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

1.21 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.

1.22 Revenue recognition

Revenues include all revenues from the ordinary business activities of the Group. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The Group's business includes the brewing, production and sale of branded beers and beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, and the operation of franchised food retailing establishments.

(a) Sales of goods and services

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

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

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

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

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

(i) Sales of goods – wholesale

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

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

The Group's products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

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

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

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

(ii) Sales of goods – retail

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

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

(iii) 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.

(iv) Financing

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

(b) Property related income

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

(c) Finance income

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

(d) Dividend income

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

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 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.

1.28 Derivative financial instruments

Derivative financial instruments, including interest rate swap agreements and forward foreign exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group has elected to continue applying the IAS 39 hedge accounting rules. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

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

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

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

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

1.29 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.

1.30 Accounting policies applicable until 31 January 2018

(a) Financial assets

(i) 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 1.11 and 1.13).

(ii) 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.

(iii) 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.

(b) 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 1.9). 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.

(c) 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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) Property related income

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

(v) 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.

(vi) Dividend income

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk 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 €17.6 million (2018: €14.5million) 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 principally arises from cash and cash equivalents comprising deposits with financial institutions, and other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Group's and the Company's principal exposures to credit risk as at the end of the reporting period are analysed as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Financial assets measured at amortised cost (classified as loans and receivables in 2017):				
Trade and other receivables (note 9)	**22,296**	21,633	**17,892**	21,183
Cash and cash equivalents (note 10)	**7,578**	3,720	**3,453**	1,313
	29,874	25,353	**21,345**	22,496

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

(i) Security

For certain trade and other receivables, the Group may obtain security in the form of guarantees and deeds of undertaking or letters of credit which can be called on if the counterparty is in default under the terms of the agreement.

(ii) Trade and other receivables

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

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

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

(iii) Impairment of trade receivables

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

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

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

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

- An expected loss rate ranging from 0.22% to 0.63% on all credit sales generated in the preceding twelve months prior to 31 January resulting in a loss allowance of €626,000 for the Group and €313,000 for the Company.
- An expected loss rate of 100% on all outstanding dues generated before the preceding twelve months prior to 31 January (i.e. all trade receivables exceeding one year) resulting in a loss allowance of €2,049,000 for the Group and €1,046,000 for the Company.

(iv) Impairment of other receivables

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

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

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

- An expected loss rate averaging at 3.275% on all trade loans within contract terms classified under stages 1 and 2 resulting in a loss allowance of €389,000.
- An expected loss rate of 100% on all outstanding dues on trade loans that exceeded the credit terms granted by the Group and hence classified under stage 3 resulting in a loss allowance of €747,000.

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
	Expected loss model	Incurred loss model	**Expected loss model**	Incurred loss model
Trade receivables				
Balance at 1 February	**3,525**	3,248	**1,917**	1,566
Movement in loss allowance recognised in profit or loss during the year	**(716)**	533	**(526)**	367
Receivables written off	**(134)**	(256)	**(31)**	(16)
Balance at 31 January	**2,675**	3,525	**1,360**	1,917
Other receivables				
Balance at 1 February	**1,445**	1,655	**1,445**	1,655
Movement in loss allowance recognised in profit or loss during the year	**(46)**	(210)	**(46)**	(210)
Receivables written off	**(263)**	–	**(263)**	–
Balance at 31 January	**1,136**	1,445	**1,136**	1,445
Total loss allowance as at year end	**3,811**	4,970	**2,496**	3,362

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

In 2019, the reversals of provisions for impairment of credit impaired receivables principally arose in those situations where the Group's ability to recover its dues improved due to an internal re-organisation of its credit control function which resulted in recovering debt from clients which in previous years did not meet the granted repayment obligations. Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to honour a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 36 months past due.

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

As at 31 January 2019, outstanding Group trade receivables of less than one year amounting to €16,882,000 have an allocated loss allowance of €626,000. Outstanding Group trade receivables of more than one year amounting to €2,049,000 were fully provided.

As at 31 January 2019, outstanding Company trade receivables of less than one year amounting to €9,094,000 have an allocated loss allowance of €313,000. Outstanding Company trade receivables of more than one year amounting to €1,046,000 were fully provided.

As at 31 January 2019, outstanding trade loan receivables not overdue amounting to €3,728,000 have an allocated loss allowance of €389,000. Outstanding trade loan receivables overdue amounting to €747,000 were fully provided.

(v) Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. Receivables which were not considered specifically impaired under the incurred loss model, were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Group impairment provisions of €3,525,000 were in existence at 31 January 2018 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. These unsecured overdue amounts consisted of €1,793,000 that were less than three months overdue and €547,000 that were greater than three months overdue.

Company impairment provisions of €1,917,000 were in existence at 31 January 2018 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. These unsecured overdue amounts consisted of €761,000 that were less than three months overdue and €241,000 that were greater than three months overdue.

Impairment provisions of €1,445,000 for the Group and the Company were in existence at 31 January 2018 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 for the Group and the Company.

(vi) Cash and cash equivalents

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

(vii) Amounts due from subsidiaries

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

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

(viii) 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 2019					
Borrowings	**40,113**	**47,997**	**6,774**	**12,397**	**28,826**
Finance lease liabilities	**582**	**616**	**154**	**462**	**–**
Trade and other payables	**19,319**	**19,319**	**19,319**	**–**	**–**
	60,014	**67,932**	**26,247**	**12,859**	**28,826**
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
COMPANY					
31 January 2019					
Borrowings	**38,259**	**46,143**	**4,920**	**12,397**	**28,826**
Finance lease liabilities	**582**	**616**	**154**	**462**	**–**
Trade and other payables	**12,729**	**12,729**	**12,729**	**–**	**–**
	51,570	**59,488**	**17,803**	**12,859**	**28,826**
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

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 2019				
Interest rate derivative				
– Interest-rate swap	**209**	**383**	**–**	**592**
31 January 2018				
Interest rate derivative				
– Interest-rate swap	278	391	46	715

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 2018 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)

2.2 Capital risk management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings divided by total capital.

The Group and Company consider total capital to be equity and total net borrowings.

Total borrowings include unsecured bonds issued by the Company. The gearing ratios at 31 January 2019 and 2018 were as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Total borrowings (note 17)	**40,695**	42,834	**38,841**	42,044
Less cash at hand and in bank (note 10)	**(7,578)**	(3,720)	**(3,453)**	(1,313)
	33,117	39,114	**35,388**	40,731
Total equity	**108,273**	96,632	**105,464**	95,989
Total equity and net borrowings	**141,390**	135,746	**140,852**	136,720
Gearing	**23.42%**	28.81%	**25.12%**	29.79%

2.3 Fair values

(a) Fair values of instruments not carried at fair value

At 31 January 2019 and 2018 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.

(b) 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).

	2019 Level 2	2018 Level 2
	€'000	€'000
Group and Company		
Liabilities		
Interest rate derivative		
– Interest–rate swap	**592**	715
Foreign exchange derivatives		
– Currency forwards	**–**	46
	592	761

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, 16 and 18 are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Segment information

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

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

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

The Group's productive and commercial operations are segregated primarily into brewing, production and sale of branded beers and beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, and the operation of franchised food retailing establishments.

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 excluded from this information in the last quarter of financial year 2018 following its spin-off (note 21).

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	Group
	€'000	€'000	€'000	**€'000**
2019				
Revenue	54,942	35,275	16,369	**106,586**
Less: inter-segmental sales	(2,162)	(4,626)	–	**(6,788)**
	52,780	30,649	16,369	**99,798**
Segment results	11,935	2,396	1,003	**15,334**
Net finance costs				**(1,239)**
Profit before tax				**14,095**
Tax income				**1,036**
Profit for the year				**15,131**
Segment assets	135,683	18,877	8,984	**163,544**
Unallocated assets				**7,452**
Total assets				**170,996**
Segment liabilities	14,835	3,311	2,625	**20,771**
Unallocated liabilities				**41,952**
Total liabilities				**62,723**
Additions to non-current assets	5,745	219	638	**6,602**
Depreciation	6,457	200	691	**7,348**
Amortisation	16	–	40	**56**
Impairment provision for trade receivables	(946)	(213)	–	**(1,159)**

	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	11,115	2,152	1,395	–	**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**

5. Property, plant and equipment

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
At 31 January 2017				
Cost or valuation	73,626	4,299	134,771	212,696
Accumulated depreciation and impairment	–	–	(101,807)	(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	138,248	226,103
Accumulated depreciation and impairment	(1,327)	–	(107,301)	(108,628)
Net book amount	78,307	8,221	30,947	117,475
Year ended 31 January 2019				
Opening net book amount	78,307	8,221	30,947	117,475
Additions and commissioned assets	5,734	(7,199)	8,067	6,602
Disposals	(680)	–	(4,891)	(5,571)
Depreciation	(2,646)	–	(4,702)	(7,348)
Depreciation released on disposals	680	–	4,882	5,562
Closing net book amount	**81,395**	**1,022**	**34,303**	**116,720**
At 31 January 2019				
Cost or valuation	84,688	1,022	141,424	227,134
Accumulated depreciation and impairment	(3,293)	–	(107,121)	(110,414)
Net book amount	81,395	1,022	34,303	116,720

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
COMPANY				
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
Year ended 31 January 2019				
Opening net book amount	73,389	8,221	28,466	110,076
Additions and commissioned assets	5,734	(7,205)	6,952	5,481
Disposals	–	–	(1,002)	(1,002)
Depreciation	(2,454)	–	(3,913)	(6,367)
Depreciation released on disposals	–	–	1,002	1,002
Closing net book amount	**76,669**	**1,016**	**31,505**	**109,190**
At 31 January 2019				
Cost or valuation	80,321	1,016	120,332	201,669
Accumulated depreciation and impairment	(3,652)	–	(88,827)	(92,479)
Net book amount	76,669	1,016	31,505	109,190

As at 2019, assets in course of construction mainly relate to works carried out during the financial year 2019 on the old brewhouse.

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.

As at 31 January 2019, 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 2019 are based on the Directors' value assessment performed using a variety of methods, including the adjusted sales comparison approach, the discounted projected cash flows approach, and capitalised rentals approach. Each property was valued by taking into consideration the external valuations prepared by independent chartered architectural firms as at 31 January 2017 and using the method considered by the external valuers to be the most appropriate valuation method for that type of property. The Directors are of the opinion that the carrying amount of property, plant and equipment as at 31 January 2019, does not differ materially from that which would be determined using fair values that take account of the above considerations.

All the recurring property fair value measurements at 31 January 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 2019.

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 attributable to this group of properties were deemed necessary.

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

Description by class	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2019				
Current use as manufacturing or related premises	62,379	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
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 meter	120 – 130

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.

As at 31 January 2019, the carrying amount of land and buildings would have been €42,630,000 (2018: €39,542,000) 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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cost of sales	**4,720**	4,564	**3,971**	3,905
Selling and distribution costs	**1,511**	1,437	**1,377**	1,320
Administration expenses	**1,117**	899	**1,019**	817
	7,348	6,900	**6,367**	6,042

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 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
Year ended 31 January 2019			
Opening net book amount	283	291	574
Amortisation	–	(40)	(40)
Closing net book amount	**283**	**251**	**534**
At 31 January 2019			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,734)	(5,509)
Net book amount	283	251	534

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 €40,000 (2018: €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:

	2019	2018
	€'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 2019, 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	
	2019	2018
	€'000	€'000
Year ended 31 January		
Opening net book amount	**9,535**	14,352
Additions	**–**	13,002
Disposals (note 21)	**–**	(17,808)
Write-off of investment in subsidiaries	**–**	(11)
Closing net book amount	**9,535**	9,535
At 31 January		
Cost	**13,616**	13,616
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**9,535**	9,535

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 (note 21). On 20 December 2017, the Company distributed this investment to its shareholders.

The principal subsidiaries at 31 January 2019 all of which are unlisted, are disclosed in note 36 to these financial statements.

8. Inventories

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**3,143**	3,238	**2,807**	2,918
Finished goods and goods for resale	**8,922**	7,840	**2,974**	2,444
Containers and other stocks	**3,100**	2,574	**2,751**	2,273
	15,165	13,652	**8,532**	7,635

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cost of sales	**720**	774	**537**	632
Selling, distribution and administrative expenses	**82**	110	**82**	110
	802	884	**619**	742

9. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**2,853**	3,710	**2,853**	3,710
Current				
Trade receivables	**16,256**	14,810	**8,781**	8,000
Amounts due from subsidiaries	**–**	–	**4,800**	8,042
Indirect taxation	**58**	62	**–**	–
Other receivables and advanced deposits	**3,129**	3,051	**1,458**	1,431
Prepayments and accrued income	**1,252**	1,128	**1,105**	1,033
	20,695	19,051	**16,144**	18,506
Total trade and other receivables	**23,548**	22,761	**18,997**	22,216

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**3,811**	4,970	**2,496**	3,362

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 €710,000 (2018: €4,070,000) which are subject to an average interest rate of 4.75% (2018: 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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**7,578**	3,720	**3,453**	1,313
Bank overdrafts (note 17)	**(1,859)**	(6,212)	**(5)**	(5,422)
	5,719	(2,492)	**3,448**	(4,109)

11. Share capital

	Company	
	2019	2018
	€'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	
	2019	2018
	€'000	€'000
Interim dividend	**1,000**	1,000
Final dividend	**2,600**	2,400
Dividends paid in cash	**3,600**	3,400
Interim dividend – paid in kind	**–**	37,211
Total net dividend	**3,600**	40,611
Euro per share (net)	**€0.12**	€1.35

The final dividend of €2,600,000 in respect of the year ended 31 January 2018 was announced to the ordinary shareholders on 22 June 2018. 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 2019 was announced on 19 September 2018, and paid to the ordinary shareholders on 10 October 2018. At the forthcoming Annual General Meeting, a final net dividend of €3,000,000 (€0.10 per share) in respect of the financial year ended 31 January 2019 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 2019 of €3,000,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2020.

13. Revaluation reserve

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Revaluation on property, plant and equipment				
At beginning of year, before deferred tax	**38,763**	50,325	**37,933**	37,933
Release upon disposal of investment properties	**–**	(11,562)	**–**	–
	38,763	38,763	**37,933**	37,933
Deferred taxation (note 18)	**(4,917)**	(4,917)	**(4,062)**	(4,062)
At 31 January	**33,846**	33,846	**33,871**	33,871

Following the spin-off of the Group's property division (note 21), related unrealised fair value reserves amounting to €9.7million (net of deferred tax of €1.8million) 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 2018 and 31 January 2019	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
COMPANY					
At 31 January 2018 and 31 January 2019	**2,078**	**210**	**2,515**	**7,463**	**12,266**

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

The incentives and benefits reserve represents profits set aside for re-investment in terms of Sections 6(1) and 36(2) of the Business Promotion Act. Amounts included in this reserve can only be distributed by way of capitalisation of profits.

The capital redemption reserve represents amounts set aside as a result of the redemption of cumulative redeemable preference shares. In accordance with the Maltese Companies Act, 1995, this reserve is only available for distribution to ordinary shareholders by way of a bonus share issue.

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 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
Movement for the year ended 31 January 2019			
(Gains)/losses from changes in fair value	(23)	127	104
Deferred taxes (note 18)	8	(44)	(36)
	(15)	83	68
Transferred to statement of comprehensive income (notes 24 and 26)	(23)	(250)	(273)
Deferred taxes (note 18)	8	88	96
	(15)	(162)	(177)
At 31 January 2019			
Gross amounts of losses	–	592	592
Deferred taxes (note 18)	–	(207)	(207)
	–	**385**	**385**

The net fair value losses recognised in equity at 31 January 2019 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 2019	
Interest rate derivative	
– interest-rate swap	**592**
Total recognised derivative liabilities	**592**
At 31 January 2018	
Interest rate derivative	
– interest-rate swap	715
Foreign exchange derivatives	
– currency forwards	46
Total recognised derivative liabilities	761

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

	2019	2018
	€'000	€'000
DERIVATIVES FINANCIAL LIABILITIES		
Non-current	**383**	436
Current	**209**	325
	592	761

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 €12.4million matching the principal amount of an equal value specific bank loan. As at year end the remaining unpaid portion of this loan amounted to €10.5 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 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 €10million matching the principal amount of an equal value specific loan. As at year end, the remaining unpaid portion of this loan amounted to €1.5million. 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 2019 will be released to the income statements over the period until maturity of the contracts.

17. Borrowings

	Group		Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Non-current				
Bonds	**19,721**	19,705	**19,721**	19,705
Bank loans	**14,889**	12,898	**14,889**	12,898
Finance lease liabilities (note 31)	**448**	585	**448**	585
	35,058	33,188	**35,058**	33,188
Current				
Bank overdrafts	**1,859**	6,212	**5**	5,422
Bank loans	**3,644**	3,300	**3,644**	3,300
Finance lease liabilities (note 31)	**134**	134	**134**	134
	5,637	9,646	**3,783**	8,856
Total borrowings	**40,695**	42,834	**38,841**	42,044

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

	Group		Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Face value of bonds				
3.5% Bonds 2017 – 2027	**20,000**	20,000	**20,000**	20,000
	20,000	20,000	**20,000**	20,000
Issue costs	**305**	305	**305**	305
Accumulated amortisation	**(26)**	(10)	**(26)**	(10)
Net book amount	**279**	295	**279**	295
Amortised cost	**19,721**	19,705	**19,721**	19,705

By virtue of an offering memorandum dated 31 July 2017, the Company issued €20million 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 2019 for the 3.5% Bonds 2017 – 2027 was €105.75.

The Group's and the Company's banking facilities as at 31 January 2019 and 2018 amounted to €54,264,000 and €58,544,000 for the Group, and €45,933,000 and €50,213,000 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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
At floating rates	**19,457**	20,724	**17,603**	19,934
At fixed rates	**21,238**	22,110	**21,238**	22,110
Total borrowings	**40,695**	42,834	**38,841**	42,044

Certain borrowings at floating rates which interest rate is computed using a margin over the 3 month Euribor rate, are hedged through interest rate swap agreements (note 16).

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

	Group		Company	
	2019	2018	**2019**	2018
	%	%	**%**	%
Bank overdrafts	**4.15**	4.59	**4.60**	4.60
Bank loans	**2.11**	2.37	**2.11**	2.37
Bonds	**3.50**	3.50	**3.50**	3.50
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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
At beginning of year	**(5,341)**	(1,661)	**(6,578)**	(4,692)
Credited to income statements (note 27)	**(2,164)**	(1,969)	**(2,260)**	(2,000)
Net tax effect of re–measurement of derivatives	**59**	114	**59**	114
De-recognition of liabilities attributable to the spin-off of the property division (note 21)	**–**	(1,825)	**–**	–
At end of year	**(7,446)**	(5,341)	**(8,779)**	(6,578)

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% (2018: 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% (2018: 8% or 10%) of the transfer value.

The manufacturing arm of the Group has been availing itself of investment aid under the various tax credit schemes that were applicable until 30 June 2014. In view of the fact that the 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 €2,176,000 (2018: €1,622,000). 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 €1,519,000.

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 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)
At 1 February 2018	4,256	(13,009)	241	94	4,917	(1,840)	(5,341)
Income statements	(309)	(2,176)	(29)	(93)	–	443	(2,164)
Equity	–	–	59	–	–	–	59
At 31 January 2019	**3,947**	**(15,185)**	**271**	**1**	**4,917**	**(1,397)**	**(7,446)**
COMPANY							
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)
At 1 February 2018	4,199	(13,009)	(238)	93	4,062	(1,685)	(6,578)
Income statements	(274)	(2,176)	(29)	(93)	–	312	(2,260)
Equity	–	–	59	–	–	–	59
At 31 January 2019	**3,925**	**(15,185)**	**(208)**	**–**	**4,062**	**(1,373)**	**(8,779)**

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 2019, the Group and the Company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Unutilised tax credits	**57,020**	59,030	**57,020**	59,030

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 has unrecognised tax credits in the form of investment tax credits and conversion tax credits of €57,020,000 (2018: €59,030,000). €29,158,000 (2018: €29,030,000) relate to investment tax credits which have no expiry date while €27,862,000 (2018: €30,000,000) relate to conversion tax credits which expire in 2020.

19. Provisions for other liabilities and charges

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Termination benefit provisions				
At 1 February	**120**	36	**120**	36
Charged to profit and loss	**113**	156	**113**	156
Utilised during the year	**(137)**	(72)	**(137)**	(72)
At 31 January	**96**	120	**96**	120

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 2019 total €113,000 while for 2018 total €156,000 (note 22). It is anticipated that €61,000 (2018: €56,000) of the provision will be paid during the financial year ending 31 January 2020.

20. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Capital and other payables	**610**	764	**610**	764
Current				
Trade payables	**6,129**	5,288	**2,735**	1,924
Capital and other payables	**3,735**	6,142	**3,016**	5,238
Amounts due to subsidiaries	**–**	–	**357**	3,556
Amounts owed to related parties	**29**	583	**–**	218
Indirect taxes and social security	**2,388**	1,911	**1,672**	1,470
Accruals and deferred income	**7,192**	7,583	**5,103**	5,269
	19,473	21,507	**12,883**	17,675
Total trade and other payables	**20,083**	22,271	**13,493**	18,439

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 2019, capital and other payables include institutional grants amounting to €764,000 (2018: €918,000) 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 €610,000 (2018: €764,000). 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 is disclosed in note 22.

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

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 of 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	**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 (note 18)	**(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**

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

	Year ended 31 January 2018	
	Group	**Company**
	€'000	€'000
Revenue	351	–
Cost of sales	(220)	–
Gross profit	131	–
Administrative expenses	(467)	–
Loss before tax from discontinued operations	(336)	–
Tax expense (note 27)	(217)	–
Loss after tax from discontinued operations	(553)	–
Gain on the re-measurement of assets held for sale	165	–
Shortfall on de-recognition of property segment	(254)	–
Fair value adjustment to investment in subsidiary upon distribution	–	19,403
(Loss)/profit after tax on the re-measurement of assets held for sale	(89)	19,403
(Loss)/profit for the year from discontinued operations	(642)	19,403

	Year ended 31 January 2018	
	Group	**Company**
	€'000	€'000
Operating cash flows	(469)	(5)
Investing cash flows	(7,919)	(3,945)

In December 2017, the entire investment in Trident Estates plc at company level was transferred 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.

22. Expenses by nature

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (note 5)	**7,348**	6,900	**6,367**	6,042
(Profit)/loss on disposal of property, plant and equipment (note 5)	**(6)**	(7)	**–**	11
Employee benefit expense (note 23)	**19,283**	18,469	**10,303**	10,175
Termination benefits (note 23)	**113**	156	**113**	156
Raw materials, imported goods and consumables	**43,746**	41,936	**11,352**	11,679
Changes in inventories of finished goods and work in progress (note 8)	**1,082**	330	**530**	(328)
Movement in loss allowance (net of receivable write offs) (note 9)	**(762)**	323	**(572)**	157
Amortisation of intangible assets (note 6)	**40**	42	**–**	–
Other expenses	**13,620**	12,856	**13,192**	12,052
Total cost of sales, selling and distribution costs and administrative expenses	**84,464**	81,005	**41,285**	39,944

Operating profit is stated after crediting deferred institutional grants amounting to €154,000 (2018: €141,000), which are included in 'Cost of sales'.

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Disclosed as:				
Continuing operations	**84,464**	80,318	**41,285**	39,944
Discontinued operations	**–**	687	**–**	–
	84,464	81,005	**41,285**	39,944

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2019 and 2018 relate to the following:

	Group	
	2019	2018
	€'000	€'000
Annual statutory audit	**152**	158
Other assurance services	**8**	11
Tax advisory and compliance services	**28**	14
Other non-assurance services	**38**	152
	226	335

23. Employee benefit expense

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Wages and salaries	**17,976**	17,207	**11,096**	10,915
Social security costs	**1,255**	1,210	**786**	762
Other employee related costs	**52**	52	**52**	52
	19,283	18,469	**11,934**	11,729
Recharged to subsidiaries	**–**	–	**(1,631)**	(1,554)
	19,283	18,469	**10,303**	10,175
Termination benefits	**113**	156	**113**	156
	19,396	18,625	**10,416**	10,331

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

	Group		Company	
	2019	2018	**2019**	2018
Brewing, production and sale of branded beers and beverages	**481**	468	**463**	447
Importation, wholesale and retail of food and beverages, including wines and spirits	**89**	86	**–**	–
Operation of franchised food retailing establishments	**283**	289	**–**	–
	853	843	**463**	447

24. Net exchange differences

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**13**	162	**(32)**	107
Fair value losses on derivative instruments: – Foreign exchange forward contracts	**(23)**	(92)	**(23)**	(92)
	(10)	70	**(55)**	15

25. Finance income

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Interest on amounts owed to related parties	**–**	–	**–**	56
Interest on amounts owed by subsidiaries	**–**	–	**85**	83
	–	–	**85**	139

26. Finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Interest on bank loans and overdrafts	**597**	509	**500**	455
Interest rate subsidy	**(347)**	(509)	**(347)**	(509)
Finance lease interest	**17**	20	**17**	20
Interest on bonds	**700**	845	**700**	845
Fair value loss on derivative financial instruments	**250**	299	**250**	299
Other finance costs	**22**	43	**33**	33
	1,239	1,207	**1,153**	1,144

During the year ended 31 January 2019, the Company was granted net interest subsidy amounting to €347,000 (2018: €509,000) from Malta Enterprise related to approved investment loans of €11.4 million (2018: €13.7 million). A net effective interest rate of 1.20% (2018: 1.30%) 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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Current tax expense	**1,128**	1,237	**–**	–
Deferred tax income (note 18)	**(2,164)**	(1,969)	**(2,260)**	(2,000)
Tax income	**(1,036)**	(732)	**(2,260)**	(2,000)
Disclosed as:				
Continuing operations	**(1,036)**	(949)	**(2,260)**	(2,000)
Discontinued operations (note 21)	**–**	217	**–**	–
	(1,036)	(732)	**(2,260)**	(2,000)

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Profit before tax from continuing operations	**14,095**	13,455	**10,705**	9,975
(Loss)/profit for the year from discontinued operations	**–**	(425)	**–**	19,403
Profit before tax	**14,095**	13,030	**10,705**	29,378
Tax on profit at 35%	**4,934**	4,560	**3,747**	10,282
Tax effect of:				
Benefits available under the Business Promotion Act, comprising tax credits and allowances	**(3,757)**	(57,745)	**(3,757)**	(57,745)
Movements in unrecognised deferred tax assets	**(2,010)**	52,460	**(2,010)**	52,460
Differences related to termination benefits	**48**	25	**48**	25
(Over)/under provision in unrecognised and recognised deferred tax related to prior years	**(62)**	18	**(121)**	–
Non-taxable income or allowable expenses	**(189)**	(50)	**(167)**	(7,022)
Tax income	**(1,036)**	(732)	**(2,260)**	(2,000)

28. Directors' emoluments

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**240**	253	**240**	253
Salaries	**75**	67	**75**	67
Other emoluments	**271**	264	**271**	264
Total directors' remuneration	**586**	584	**586**	584

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	
	2019	2018
Profit from continuing operations attributable to shareholders (€'000)	**15,131**	14,404
Loss from discontinued operations attributable to shareholders (€'000)	**–**	(642)
Profit attributable to shareholders (€'000)	**15,131**	13,762
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	**€0.504**	€0.480
Discontinued operations	**–**	(€0.021)
	€0.504	€0.459

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Operating profit from continuing operations	**15,334**	14,662	**11,773**	10,980
Operating loss from discontinued operations	**–**	(336)	**–**	–
Operating profit	**15,334**	14,326	**11,773**	10,980
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	**7,348**	6,900	**6,367**	6,042
Profit on disposal of property, plant and equipment	**(6)**	(18)	**–**	–
Impairment of investment in subsidiary	**–**	–	**–**	11
Impairment of investment in jointly controlled entity	**–**	–	**–**	3
Amortisation of intangible assets (note 6)	**40**	42	**–**	–
Amortisation of institutional grant (note 22)	**(154)**	(141)	**(154)**	(141)
Amortisation of bond issue costs (note 17)	**16**	25	**16**	25
(Decrease)/increase in provision for impairment of trade and other receivables (note 9)	**(1,159)**	67	**(866)**	141
Provision for termination benefits (note 19)	**113**	156	**113**	156
	21,532	21,357	**17,249**	17,217
Changes in working capital:				
Inventories	**(1,513)**	917	**(897)**	1,646
Trade and other receivables	**373**	(1,914)	**4,085**	(2,369)
Trade and other payables	**(2,171)**	2,573	**(4,929)**	1,696
Cash generated from operations	**18,221**	22,933	**15,508**	18,190

Net debt reconciliation

All the movements in the Company's net debt related only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 75.

31. Commitments

Capital commitments

Commitments for capital expenditure with respect to property, plant and equipment not provided for in these financial statements are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**16,670**	16,164	**14,839**	14,229
Contracted but not provided for	**7,469**	1,283	**7,469**	1,283
	24,139	17,447	**22,308**	15,512

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**1,329**	1,255	**–**	–
Later than 1 year and not later than 5 years	**3,402**	3,239	**–**	–
Later than 5 years	**842**	838	**–**	–
	5,573	5,332	**–**	–

Operating lease commitments – where a group company is a lessor

These leases principally relate to property rentals. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**55**	55	**–**	–
Later than 1 year and not later than 5 years	**–**	55	**–**	–
	55	110	**–**	–

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**154**	154	**154**	154
Later than 1 year and not later than 5 years	**462**	616	**462**	616
	616	770	**616**	770
Future finance charges on finance leases	**(34)**	(50)	**(34)**	(50)
Present value of finance lease liabilities	**582**	720	**582**	720

32. Contingent liabilities

At 31 January 2019, the Group and the Company had contingent liabilities amounting to €785,000 (2018: €938,000) and €88,000 (2018: €194,000) 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	
	2019	2018
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% (2018: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

The Directors make particular reference to the fact that Trident Estates plc and its subsidiaries are considered to be related parties due to common directors and the common shareholding (note 21).

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Income from goods and services				
– Sales of goods to subsidiaries	**–**	–	**2,109**	2,105
– Sales of goods to related parties	**684**	263	**522**	122
– Recharge of costs to subsidiaries	**–**	–	**1,260**	1,441
– Recharge of payroll costs to subsidiaries	**–**	–	**2,622**	2,387
– Finance income on loans to subsidiaries	**–**	–	**85**	139
	684	263	**6,598**	6,194

Expenditure for goods and services				
– Purchases of goods from subsidiaries	**–**	–	**775**	562
– Purchases of goods and services from related parties	**1,076**	606	**949**	531
– Rental expenses from related parties	**659**	–	**–**	–
– Finance costs on loans from subsidiaries	**–**	–	**34**	34
	1,735	606	**1,758**	1,127

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

	Group	
	2019	2018
	€'000	€'000
Directors	**586**	584
Senior Management	**706**	669
	1,293	1,253

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 2019 are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2019**	2018
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 (in liquidation)	The Brewery, Mdina Road, Mrieħel	Non-operating	**–**	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

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the Company

	Ordinary shares held as at 31 January 2019	Ordinary shares held as at 15 May 2019
Louis A. Farrugia	30,223	30,223
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Baroness Christiane Ramsay Pergola	54,140	54,140
Marquis Marcus John Scicluna Marshall	5,857	5,857
Marcantonio Stagno d'Alcontres	3,430	3,430

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. Baroness Christiane Ramsay Pergola has a beneficial interest in Sciclunas Estates Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2019 to 15 May 2019.

Shareholders holding 5% or more of the equity share capital as at 15 May 2019

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 15 May 2019, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,886

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 15 May 2019

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	665	150,752	0.50
501 – 1,000	375	273,819	0.91
1,001 – 5,000	632	1,394,058	4.65
More than 5,000	214	28,181,371	93.94
	1,886	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

		2019	2018	2017	2016	2015
		€'000	€'000	€'000	€'000	€'000
Revenue		**99,798**	95,331	88,414	86,370	79,503
Operating costs		**(84,464)**	(81,005)	(75,528)	(75,044)	(69,891)
Operating profit		**15,334**	14,326	12,886	11,326	9,612
Changes in fair value of investment property		**–**	(89)	928	(2,182)	(8,000)
Share of results of associate		**–**	–	–	763	–
Net finance costs		**(1,239)**	(1,207)	(1,465)	(1,363)	(1,460)
Profit/(loss) before taxation arising from:						
– continuing operations		**14,095**	13,455	11,387	10,112	8,235
– discontinued operations		**–**	(425)	962	(1,568)	(8,083)
Tax		**1,036**	732	(217)	2,679	7,857
Profit attributable to Ordinary shareholders		**15,131**	13,762	12,132	11,223	8,009
Net dividends paid on Ordinary shares		**3,600**	40,611	3,200	3,000	2,500
Shareholders' funds		**108,273**	96,632	123,271	109,459	100,235
Borrowings (net of cash and cash equivalents)		**33,117**	39,114	35,195	24,388	19,785
Total capital employed (adjusted)		**141,390**	135,746	158,466	133,847	120,020
Fixed Assets		**117,254**	118,049	111,505	90,641	80,888
Non-current Assets		**10,300**	9,051	6,488	6,967	3,085
Current Assets (excluding cash and cash equivalents)		**35,864**	32,708	32,914	30,962	28,092
Assets held for sale		**–**	–	31,266	31,558	33,041
Liabilities (excluding borrowings)		**(22,028)**	(24,062)	(23,707)	(26,281)	(25,086)
Total assets less liabilities (excluding net borrowings)		**141,390**	135,746	158,466	133,847	120,020
Shares in issue during the financial year:						
– Ordinary shares	*'000*	**30,000**	30,000	30,000	30,000	30,000
Number of Ordinary shareholders		**1,886**	1,887	1,857	1,830	1,809
Earnings per Ordinary share (note 29)		**€0.504**	€0.459	€0.404	€0.374	€0.267
EBITDA	*'000*	**23,222**	22,111	20,662	18,680	17,205
Return on average capital employed	*percentage*	**10.6**	9.8	8.7	8.8	7.8
Dividend cover	*times*	**4.20**	4.05	3.79	3.74	3.20
Dividends per Ordinary share (net of tax)		**€0.120**	€0.113	€0.107	€0.100	€0.083
Net asset value per Ordinary share		**€3.61**	€3.22	€4.11	€3.65	€3.34
Gearing	*percentage*	**23.42**	28.81	22.21	18.22	16.48

Revenue and **operating costs** include those from discontinued operations up to financial year ended 31 January 2018.

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.

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FARSONS GROUP
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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: 978-99932-48-17-0