Simonds Farsons Cisk plc

Annual Report 2014/15

FOR THE YEAR ENDED 31 JANUARY 2015

FARSONS GROUP

Farsons

Simonds Farsons Cisk plc

Brand Portfolio

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.


Rewarding Shareholders
Championing Relationships
Nurturing Brands
Empowering Employees
Embracing Responsibilities

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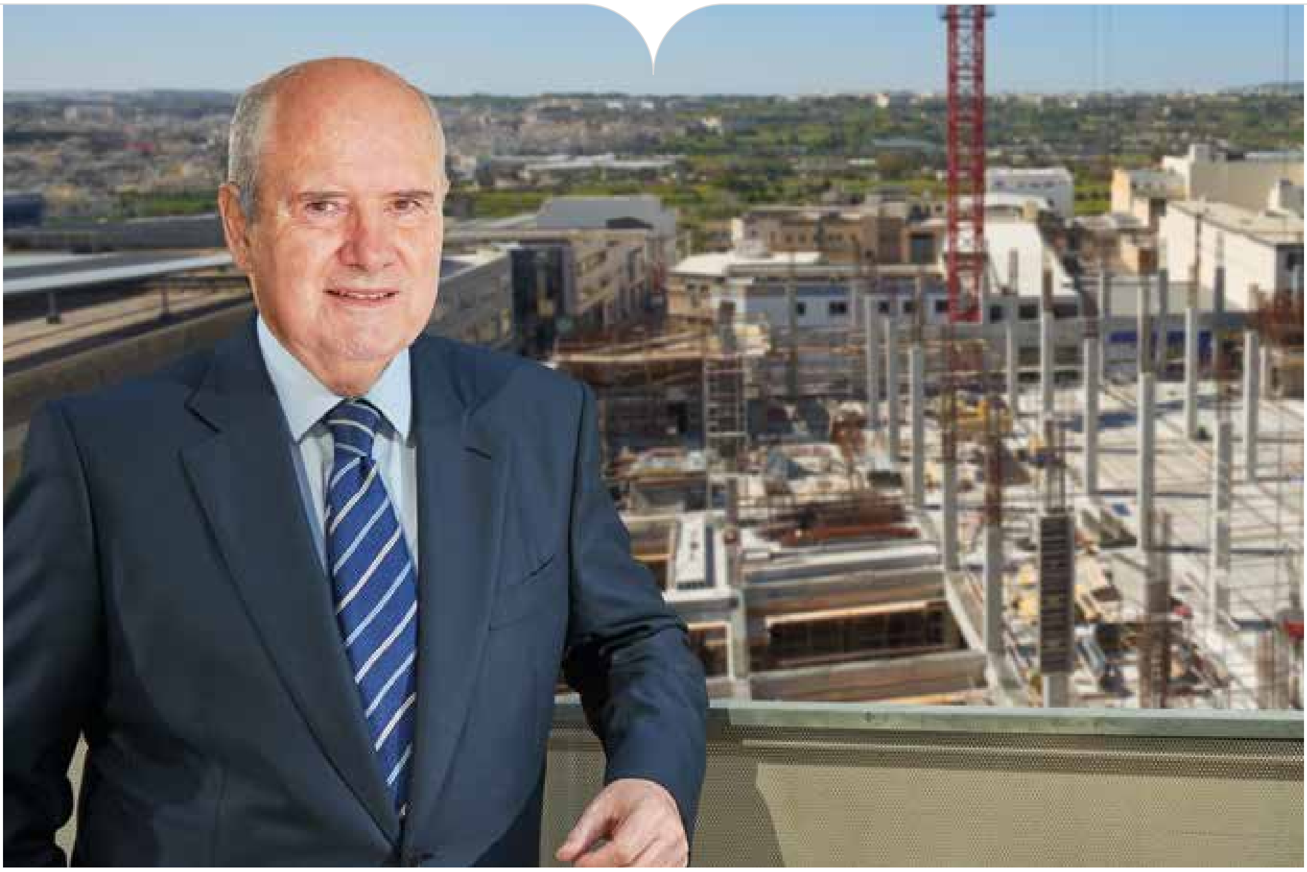
Simonds Farsons Cisk plc

Annual Report **2014/15**

CREATING AND NURTURING WORLD CLASS BRANDS

As we gear ourselves to become regional players within the food and beverage sector, we have invested in the development of an evolved and more authentic expression for the Cisk portfolio which portrays increased pride for the brand at the national level and also delivers an effective international growth platform.


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



CHAIRMAN'S STATEMENT

It is my pleasure to report another very satisfactory year for the Farsons Group. Once again, we have managed to register a marginal increase in group turnover but a more substantial increase in profit before tax. This annual report details the performance of the various segments within our business, but I can summarise the key figures as follows; group turnover increased by 1% to €79.2 million from €78.3 million, whereas profit before tax from continuing operations increased by 20% from €6.9 million to €8.2 million.

As explained in the Directors' Report, this year's results are of an exceptional nature, due to a series of important and significant decisions taken by your board during the year under review.

Firstly, a decision has been taken to present our property segmental results as discontinued operations given our firm intent, subject to shareholder approval at the appropriate time, to hive off our property investments into a separate public company to be quoted on the Malta Stock Exchange.

Secondly, your board has also agreed and approved to account for €5.3 million worth of deferred tax asset that has previously been noted but not been recognized. This is because the investment tax credit schemes that we have been entitled to as a manufacturing concern have now become more restrictive. As a result, these previously unaccounted tax credit amounts have become more readily realizable, and so it is appropriate to recognize these assets in so far as we estimate that they may be utilised in the foreseeable future.

Thirdly, these results also record a downward net fair value adjustment of €5.2 million (net of deferred tax) of our property assets, due to a re-adjustment of the value the directors have attributed to the original brewery façade. This re-adjustment has been approved by the board of directors after a number of developments, including the scheduling by MEPA of the façade building, and the outcome of a study by experts. This study examined in considerable detail the feasibility of converting the old brewery building into a commercial venture consisting of first class offices as well as the conversion of the old brewhouse into a mixed-use location for food and beverage outlets, offices and a visitor attraction centre exhibiting artifacts relating to the Farsons story.

"THESE ARE IMPRESSIVE RESULTS – AND HAVE BEEN ACHIEVED PRIMARILY DUE TO THE CONSISTENT PRODUCTIVE EFFORTS OF ALL FARSONS EMPLOYEES"

After accounting for the above adjustments, the net profit for the year amounts to €8 million as compared to €6.3 million for last year, reflecting an increase of 27%.

By any measure, these are impressive results - and have been achieved primarily due to the consistent productive efforts of all Farsons employees ably led by Norman Aquilina, our Group Chief Executive. Clearly, a number of factors have contributed to the achievement of

An artist's impression of the north facing façade of the new beer packaging facility.

these results, namely, the steady growth of our economy, record tourist arrivals, new product launches, overhead cost containment and a significant reduction in raw material prices.

Food Chain also performed satisfactorily, increasing its profitability and turnover, in part due to the opening of a new Burger King drive-thru restaurant. During the year we faced some particular challenges within our food importation segment and these are being actively addressed.

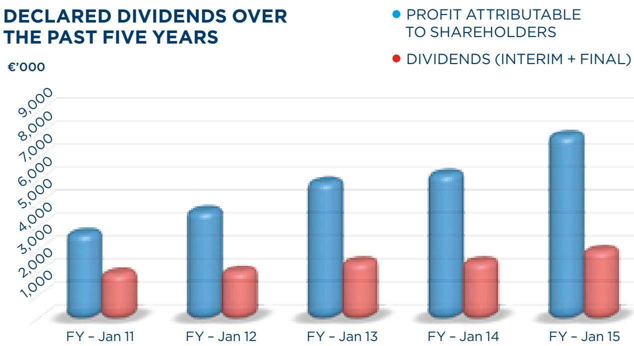
You will also note that the Farsons Group has set out a clear vision for the foreseeable future, namely to grow our local and international business in order to establish the group as a regional player within the food and beverage sector. To achieve this, appropriate resources are being invested in constructing additional state-of-the-art productive assets in order to compete adequately in the global market place. Hence, our investment in a €27 million beer packaging facility that will allow us to ensure that we can pack and produce in exportable packages and at competitive prices. This investment shall become operational as planned in April 2016, and the project is on budget and on schedule.

We are, however, not restricting our investment solely to plant and machinery and physical assets. Much time and investment is currently also being deployed into ensuring we revitalize some existing brands, as well as innovating and launching new products suitable for both the local and international markets. Apart from the new packaging facility already referred to, management is also studying future investments within our operations and distribution functions in order to align ourselves with this vision.

Moreover, your board has also been studying how best to maximise shareholder value with regard to the group's substantial property assets.

As reported during our last Annual General Meeting, your board's considered and firm intention is to propose to shareholders that, at the appropriate time, we spin off to shareholders our property assets as a separate public limited company that will be listed on the Malta Stock Exchange. Much work is being undertaken on the feasibility of a fully-fledged property public company which will own some of Farsons existing property assets with earnings that have a proven

DECLARED DIVIDENDS OVER THE PAST FIVE YEARS



track record, in addition to a new multi million Euro investment in the Farsons Business Park development. It is your board's intention to make a separate Company announcement about this venture before the forthcoming Annual General Meeting.

In view of the improved performance of the group, your board wishes to recommend an increase in dividends from €2.5 million to €3 million for this year. This is justified, given the reduction in indebtedness and the fact that EBITDA this year amounted to €15.9 million compared to €14.2 million last year.

I wish to thank all our employees for their dedication to service throughout the year. I thank management for their hard work and my fellow directors for their continued good counsel as we take these important decisions in the interest of all stakeholders, namely, our employees, consumers and shareholders.

I also thank our legal advisors Mamo TCV and our auditors, PriceWaterhouseCoopers for their continued valid advice.

Louis A. Farrugia *Chairman*

29 April 2015

DIRECTORS, BOARD COMMITTEES

The Board of directors
Louis A. Farrugia – *Chairman*[3]
Vincent Curmi – *Vice Chairman*[6]
Roderick Chalmers[2]
Michael Farrugia[9]
Dr Max Ganado[5]
Marina Hogg[7]
Marquis Marcus John Scicluna Marshall[8]
Marcantonio Stagno d'Alcontres[1]
Antoinette Caruana – *Company Secretary*[4]

Group Executive Board
Louis A. Farrugia – *Chairman*
Norman Aquilina – *Group Chief Executive*
Antoinette Caruana – *Group HR Manager and Company Secretary*
Michael Farrugia – *Chief Business Development Officer* (as from February 2015)
Ray Sciberras – *Chief Operations Officer*
Charles Xuereb – *Chief Financial Officer*
Arthur Muscat – *Secretary*

Corporate Governance Committee
Marcantonio Stagno d'Alcontres – *Chairman*
Marquis Marcus John Scicluna Marshall
Vincent Curmi
Dr Max Ganado

Related Party Transactions Committee
Vincent Curmi – *Chairman*
Dr Max Ganado
Marquis Marcus John Scicluna Marshall

New Ventures/Acquisitions/Mergers Committee
Vincent Curmi – *Chairman*
Dr Max Ganado
Marcantonio Stagno d'Alcontres

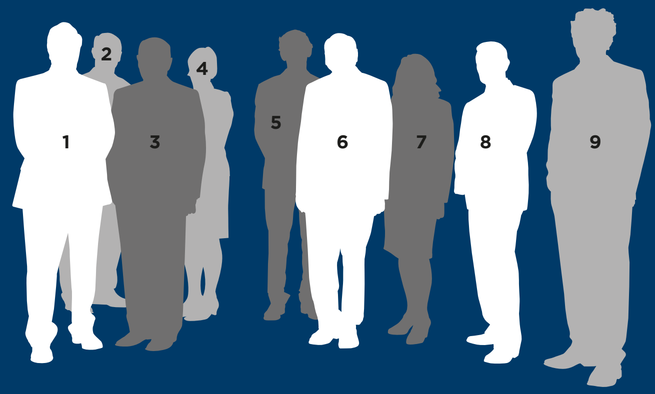
Board Performance Evaluation Committee
Marcantonio Stagno d'Alcontres – *Chairman*
Michael Farrugia
Dr Max Ganado
Marquis Marcus John Scicluna Marshall

Remuneration Committee
Louis A. Farrugia – *Chairman*
Roderick Chalmers
Vincent Curmi
Marina Hogg

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

Audit Committee
Vincent Curmi – *Chairman*
Dr Max Ganado
Marina Hogg
Marquis Marcus John Scicluna Marshall

Farsons Foundation Board of Trustees
Bryan A. Gera – *Chairman*
Antoinette Caruana
Michael Farrugia
Franco Masini
Mark Miceli-Farrugia
Arthur Muscat
Kenneth Pullicino – *Secretary*



GROUP CHIEF EXECUTIVE'S REVIEW

Another year has passed by and we have once again delivered an improved set of record results. We have experienced favourable tourist arrivals and an overall good economic environment, but the results that we continue to achieve are mainly the outcome of our ability to respond rapidly and effectively to the daily competitive challenges.

The Farsons Group has a clear mission and mandate; to grow our local and international business to become a regional player in the food and beverage sector. As we pursue a fair return to shareholders and long-term profitable growth, we are equally clear that the fundamental strategic path to achieving our aspiration is innovation, because it is through innovation that we can best deliver the growth we seek.

We are not just innovative in investing in our productive assets but equally in challenging the ways we think and work as a team.

The year under review has borne witness to this philosophy. We have sought new ways to nurture and develop our brands; we approach developing business relationships with a more open mind; we constantly seek new ways to engage talent and empower employees; and we are at the forefront of exploring how best to fulfil our environmental and social responsibilities.

We have made, and continue to make steady progress in spite of the challenging competitive environment. We have continued to make very significant investments, all aimed at complementing our strategic vision – and also aimed at our continuous efforts towards further efficiency building and more competitive set-ups helping to strengthen our drive for export targeted growth and ultimately better results.

As I present my fifth set of annual financial results, I am conscious of the fact that whilst we are reaping the desired results, a lot more still remains to be done. More so, in a year's time, our new beer packaging facility would be in operation and hence place us in a stronger position to continue to innovate and set us on track towards attaining that export-led growth.

Focusing on our subsidiaries' performance, the beverage importation segment continues to grow and deliver good results, whilst the food segment remains under some pressure. This is an area in which further effort is needed in responding to the significantly changed dynamics of food importation, and more specifically, the food retailing business. The fast food franchise business has had a good year, delivering significantly improved results, during which we saw the opening of our first drive-thru restaurant under the Burger King franchise. This has helped contribute towards the growth of Food Chain.

Operating within the Fast Moving Consumer Goods category certainly makes us all very brand conscious, always seeking ways to strengthen the consumer value and appeal of our extensive brand portfolio. Behind the success of every brand lies the human element which in return is supported by the necessary dedicated structures. Here, we take pride in our ability to continue to give the desired focus and ultimately results of our brand portfolio – this is a key strength that we will continue to build on together with our business partners.

"INNOVATION IS A CONTINUOUS CYCLE AND... OUR STRATEGIC RESPONSE TO THE COMPETITIVE PRESSURES IS REAPING THE DESIRED RESULTS."

FINANCIAL RESULTS

The group registered another record performance with a marginal increase in turnover from its core and continuing operations and a double-digit growth in profitability compared to the previous year.

Group turnover exceeded €79.2 million, an increase of 1% over last year. Operating profit increased by €1.3 million to reach €9.7 million, whilst profit before tax and discontinued operations, at €8.2 million, represents a growth of 20% (€1.4 million) over the record figure of last year.

The solid performance for the year was positively influenced by further growth in the local economy, a record year of tourist arrivals and expenditure, an encouraging performance of key beverage brands and various other factors, including improved efficiencies, productivity and significant reductions in raw material costs.

The profit for the year after tax including discontinued operations amounted to €8 million, significantly higher than the €6.3 million reported for the previous financial year. The group's statement of financial position remains strong and the net asset base continued to improve and exceeded €100 million. EBITDA for the year amounted to €15.9 million compared to €14.2 million last year.

INVESTING TO INNOVATE

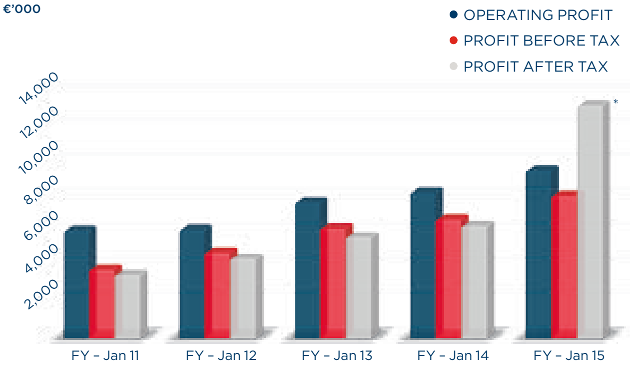
As previously announced, as part of our strategy to pursue growth through innovation, we are investing €27 million to build a new beer packaging facility, also comprising overlying stores for raw and packaging materials as well as the installation of plant for packaging in both one way and returnable glass bottles and cans.

This entails extensive works including excavation of 50,000 tons of material and the construction of 200 reinforcing piles. Another major feature was the demolishing of the previous water reservoir which was rebuilt in a way to be able to support the overlying new facility.

Meanwhile, tenders were issued for the finishing of the building, supply and commissioning of new packaging lines. Two German suppliers have been entrusted with the supply of the state-of-the-art machinery which will give Farsons the capability of bottling and canning to high quality and environmental standards in the most efficient manner. This will greatly enhance our operations and product offering and create new opportunities for both the local and export markets.

GROUP PROFITABILITY FROM CONTINUING OPERATIONS

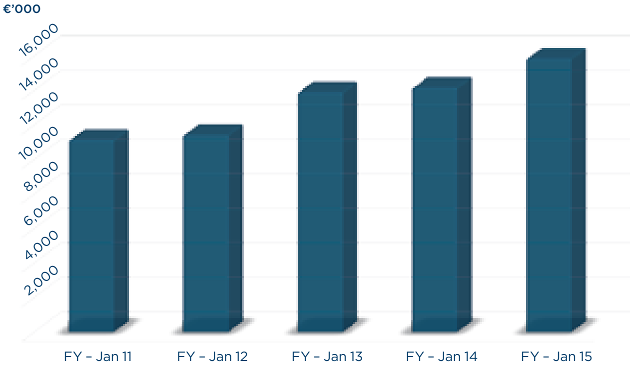
€'000



*Including recognition of deferred tax credits on investment aid.

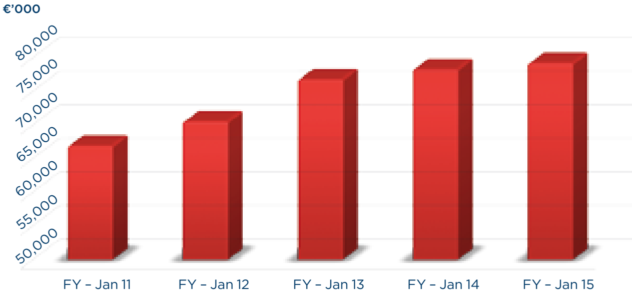
GROUP EBITDA

€'000



GROUP TURNOVER

€'000



KEY GROUP PERFORMANCE HIGHLIGHTS

ACTUAL vs LAST YEAR vs FIVE YEAR COMPARATIVES

	FY Jan 2015 €'000	Improvement vs FY Jan 2014	Improvement vs FY Jan 2011*
Turnover	€79,206	1%	18%
Operating Profit	€9,695	15%	55%
Pre-tax Profit	€8,235	20%	106%
Post-tax Profit	€13,457	107%	265%
EBITDA	€15,887	12%	42%
Earnings per Ordinary share	€0.267	27%	114%
Return on Average Capital Employed	7.8%	0.9 pp	2.5 pp
Gearing	16.5%	4.9 pp	10.6 pp

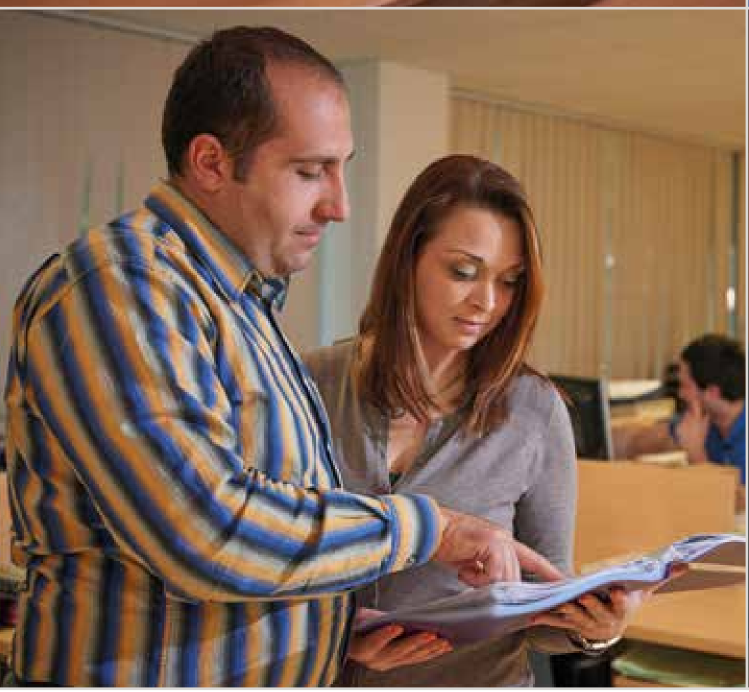
*Restated to exclude the property segment.

"THIS INVESTMENT IN OUR PRODUCTION INFRASTRUCTURE IS COMPLEMENTED BY A LONG-TERM STRATEGY TO NURTURE AND STRENGTHEN OUR KEY BRANDS."

This investment in our production infrastructure is complemented by a long-term strategy to nurture and strengthen our key brands.

This is in anticipation of the marketing and sales strategy that will be followed, once our new beer packaging facility becomes fully operational by April 2016.

All this will enable us to pursue our aspiration of growing our local and international business to establish the Farsons Group as a regional player within the food and beverage sector.



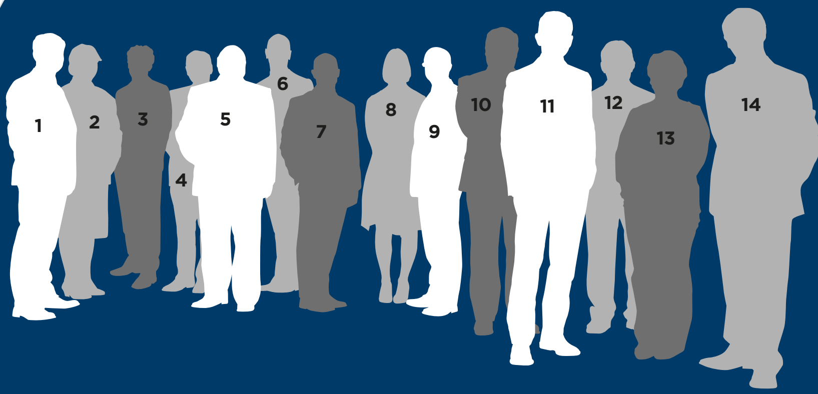
ONGOING INVESTMENT IN THE HUMAN RESOURCE

Throughout the group, we are guided by our values of teamwork, respect, integrity and dynamism. There is a determined effort to align and integrate processes and nurture a culture which is driven by performance, is results-oriented and in which development and training are critical enablers.

Our policies and practices respect inclusivity and encourage diversity. We collaborate with stakeholders both internally and externally to maximise potential, work smarter and optimise the use of technology whilst seeking cost effective solutions and continuous improvement in all we do.

The new electronic volumetric type filler ensures consistent product fill volumes irrespective of bottle size.

GROUP EXECUTIVES & SENIOR MANAGEMENT



Norman Aquilina [11]
Group Chief Executive

John Bonello Ghio [1]
General Manager Food Chain Limited

Chris Borg Cardona [9]
Head of Logistics

Stefania Calleja [8]
Head of Sales and Customer Relations

Antoinette Caruana [2]
Group HR Manager

Eugenio Caruana [14]
Head of Production

Claudio Farrugia [5]
General Manager Quintano Foods Limited

Michael Farrugia [3]
Chief Business Development Officer (as from February 2015)

Philip Farrugia [10]
Head of IT and Business Services

Ray Sciberras [12]
Chief Operations Officer

Pierre Stafrace [7]
General Manager Farsons Beverage Imports Company Limited

Stephen Sultana [4]
Head of International Business Development

Susan Weenink [13]
Head of Marketing and Communications

Charles Xuereb [6]
Chief Financial Officer

Everybody knows when it's time for a Cisk – the 2015 cisktime campaign keeps Malta's finest award-winning lager in the spotlight.

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

MARKET SCENARIO

In practically every sector that the group operates in, we are faced with rapidly evolving market scenarios, evolving consumer trends and stiff competition. This is particularly evident in our core beers and non-alcoholic beverage business.

In the beers sector, the continued rise of craft and speciality beers drives growth in many markets even though it is still early days to see how far, and how fast, such trends will grow in Malta. We are confident that our strong and wide brand portfolio will allow us to exploit any eventual opportunity which may arise.

There are also two other, almost contradictory, trends being observed; at one end of the market there may be scope for premiumisation, as consumers may put a value on a speciality offering, whilst at the other end, the shopper is ever more careful on spending disposable income and may therefore become less brand loyal over time.

In the non-alcoholic sector, there is growing awareness of health and general wellness issues and a focus on some ingredients, such as sugar and artificial sweeteners. This in turn is leading consumers to seek out those brands and products which offer more options in this area.

Across all categories, we also face growing regulatory pressures such as stricter labelling requirements which provide for greater transparency of information, enabling consumers to make the right choices.

A new look for the popular flavoured Cisk Chill range.

INNOVATING TO KEEP MOVING AHEAD

As a marketing-led organisation, our group keeps abreast of and is attentive to any evolving trends. Farsons' extensive range of products across all beverage categories now includes many different options which allow consumers to select products which are relevant to their own needs and their family's requirements. This applies to both our own brands as well as brands which we import and distribute in Malta.

It is not only at a product level that we are innovative. Our communication campaigns are developed with innovative techniques and leading technology and are increasingly deployed on digital media. Our marketing, selling and distribution teams developed and implemented a calendar of enticing consumer promotions and sponsorships of various types.

We also seek new ways to develop our trade relationships, aiming for win-win propositions which not only mitigate competitors' activity but also generate more volumes for our brands and retain shoppers' interest.

Cisk Excel, Malta's only low carbohydrate lager continues to register market growth.

"OUR EFFORTS ARE, OF COURSE, NOT RESTRICTED TO EUROPE AND FARSONS CONTINUES TO EMBARK ON INITIATIVES TO BUILD THE PRESENCE OF OUR BRANDS IN ASIAN AND AUSTRALIAN MARKETS."

OUR BEERS

As a result of our marketing focus, our flagship Cisk portfolio maintains a sizeable share of the total beer market. In 2014 we launched the Cisktime platform on which broad-reaching campaigns were successfully developed. We also commissioned a brand specialist to upgrade the packaging for all our Cisk portfolio. We feel that this initiative will further strengthen its unique appeal on both domestic and international markets.

Within the portfolio, Cisk Excel, Malta's only low carbohydrate beer, continues to perform very well and has again delivered double-digit growth. Over the year, we have also increased the number of outlets where Cisk Excel is served on draught, after last year's successful launch.

Following the positive performance of Cisk Chill Lemon, now in its fourth year, in 2014 we introduced a berry flavoured variant in 25cl bottles which has been enthusiastically received by consumers.

The ongoing gradual revival now being witnessed in the ales segment is creating new opportunities for our own beers, particularly Blue Label, a true classic which recorded encouraging double-digit growth in 2014.

Our beers portfolio also encompasses leading international brands which we represent and brew in Malta, such as Carlsberg, which continued to capitalise on its association with the English Premier League, thus enhancing its image.

Skol, also brewed under licence, has continued to find favour within the local beer market and this obviously strengthens our position with the trade, especially in the value-driven segment.

Farsons' full beer portfolio takes centre stage during the ever popular Farsons Beer Festival, a ten day event now firmly established in the summer calendar. This continues to be a showcase of our beer portfolio and all that we can offer.

EXPORTS

Export sales continued to grow, registering an encouraging increase over the previous year. This result augurs well for our future plans and was achieved despite challenging economic conditions in key markets in both Europe and North Africa.

Such an achievement requires ongoing effort and focus, and we intensified promotional activities in Italy to increase visibility of our flagship brands, particularly Cisk Export and other speciality beers developed exclusively for this market.

Despite an overall decline in beer and alcoholic beverage consumption in Italy, we secured a number of new regional importers during the year. This should generate future growth of our beers within the on trade segment.

We also achieved significant increases in a number of other key European markets including the UK, Germany, Netherlands, Portugal, Russia and Poland among others.

Blue Label, first launched in 1928, continues to be enjoyed by locals and foreigners alike – proving to be a true classic in our beer portfolio.

Exports to North Africa were also significant, increasing more than fourfold over the previous year.

Our efforts are, of course, not restricted to Europe and Farsons continues to embark on initiatives to build the presence of our brands in Asian and Australian markets.

The production of Kinnie under licence in Australia has continued to yield positive results and there are plans underway to extend distribution over a wider geographic area within the Australian continent. In line with our long-term strategy, we are intensifying our overseas networking and distribution-building initiatives, in anticipation of our increased canning and bottling capacity next year.

Export Stand – Our Cisk brand keeps gaining momentum in pubs across Italy.

Carlsberg's sponsorship of the English Premier League provides us with another platform with which to connect with consumers and football fans.

Cisk Lager has once again been recognised as a world class beer, winning a silver medal in the Lager: International Style Pilsner category, in the Brussels Beer Challenge 2014 competition.

The Farsons Beer Festival keeps drawing the crowds proving to be one of Malta's largest annual outdoor events.

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

Kinnie, Malta's own favourite soft drink, offers consumers the possibility of choosing the right Kinnie for them, in line with evolving trends and preferences which are taking place globally.

"WE CONTINUE TO FOCUS ON DELIVERING VALUE AND DEVELOPING BRANDS AND PACKAGES THAT DIFFERENTIATE OUR BRANDS AND PRODUCTS ALLOWING FARSONS TO MAINTAIN A LEADERSHIP POSITION."

The 2015 Kinnie Taste Your World campaign is a fun-filled, colourful and action packed world – a bold step into a new, innovative territory that is bound to get noticed.

NON-ALCOHOLIC BEVERAGES

In a highly competitive market undergoing a variety of pressures and challenges, we continue to focus on delivering value and developing brands and packages that differentiate our brands and products allowing Farsons to maintain a leadership position.

Kinnie, Malta's very own favourite soft drink, is now available in a range of variants, including Diet Kinnie and Kinnie Zest. In 2014 we successfully launched Kinnie Vita, a new variant which offers the same great Kinnie taste and the benefit of containing only half the sugar and calories of a regular soft drink. Moreover, it contains no artificial sweeteners, as it is naturally sweetened using a blend of sugar and stevia leaf extract. The whole Kinnie portfolio maintains a highly visible presence, revitalising its appeal with new generations of consumers thanks to multi-media campaigns and digital activation throughout the year.

Looking ahead, we envisage a growing trend for even wider choices of products in many categories, and are committed to meeting these needs through product innovation and development.

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

Our portfolio includes the PepsiCo range of beverages, namely Pepsi-Cola, 7Up and Mirinda along with Gatorade and Lipton which also continue to receive suitable marketing focus through adaptations of international campaigns and consumer promotions sometimes in conjunction with other branded products represented by the group.

The bottled water category continues to remain price sensitive and highly competitive. We continue to focus on our own water brand, San Michel, a brand which plays an important role in our overall trade strategy. San Michel has renewed its sponsorship of the Malta Marathon, another key high profile event in the Maltese sports calendar.

Pepsi is well known for its strong collaboration with famous personalities in the field of sports and music.

FARSONS GROUP
EcoPure
BEVERAGE SERVICES

ECOPURE

EcoPure's performance has improved considerably over the previous year, registering an increase in revenue and profitability.

We registered growth across all customer sectors in particular in the domestic, business and on trade.

Our strong water vendor network for which distribution routes have been optimised, contributed to an improved sales performance and also resulted in an enhanced customer service, whilst focusing more on customer retention and in acquiring a constant stream of new business customers.

The introduction of an online payment facility has helped the popularity of our prepaid offers with the domestic customers sector resulting in increased sales.

EcoPure will continue with its brand building campaigns and will also be launching a new website with a sales portal that will enable clients to open a new account and place orders on line.

In the coming year EcoPure will be celebrating 20 years of operations and intends to launch a campaign to commemorate this special occasion.

Although EcoPure is managing to achieve a steady increase in water sales, the market remains challenging in view of pressures on pricing and contribution from aggressive competition.

EcoPure will maintain focus on its sales drive in both business and domestic sectors. In line with a strategy of achieving growth through innovation, we will also seek ways to tap in further into the take-home market as well as other areas.

EcoPure introduces a new range of coolers and dispensers for rental or purchase.

"ECOPURE WILL MAINTAIN FOCUS ON ITS SALES DRIVE IN BOTH BUSINESS AND DOMESTIC SECTORS."

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

FARSONS BEVERAGE IMPORTS COMPANY (FBIC)

FBIC has had another positive year, achieving growth across its portfolio of imported brands as a result of sales and marketing strategies aimed at different segments of the market.

Our portfolio of imported beers was the protagonist of many sponsored activities and events. Budweiser was again main sponsor of the FIFA World Cup, and we capitalised on this to organise a number of exciting events to launch a limited edition aluminium bottle.

St Patrick's Day has become a major event supported by Guinness, with a well-attended parade in Valletta leading to celebrations in St Julian's and other localities.

In the cider category, Bulmers' flavoured range of ciders continued to fuel the increase in sales of this fast-growing brand.

In the spirits sector, growth was achieved through brand development and the introduction of new variants, particularly in the whisky segment. With Famous Grouse, we extended our range with the introduction of Naked Grouse and Black Grouse Alpha. The Macallan, The Glenlivet, The Dalmore and Isle of Jura also benefitted from line extensions, a timely response to the growing interest in special whiskies. Chivas also maintained its growth, with the latest limited edition tin tied to the prestigious Bremont watches launched at a high-profile charity event.

"...GROWTH WAS ACHIEVED THROUGH BRAND DEVELOPMENT AND THE INTRODUCTION OF NEW VARIANTS, PARTICULARLY IN THE WHISKY SEGMENT."

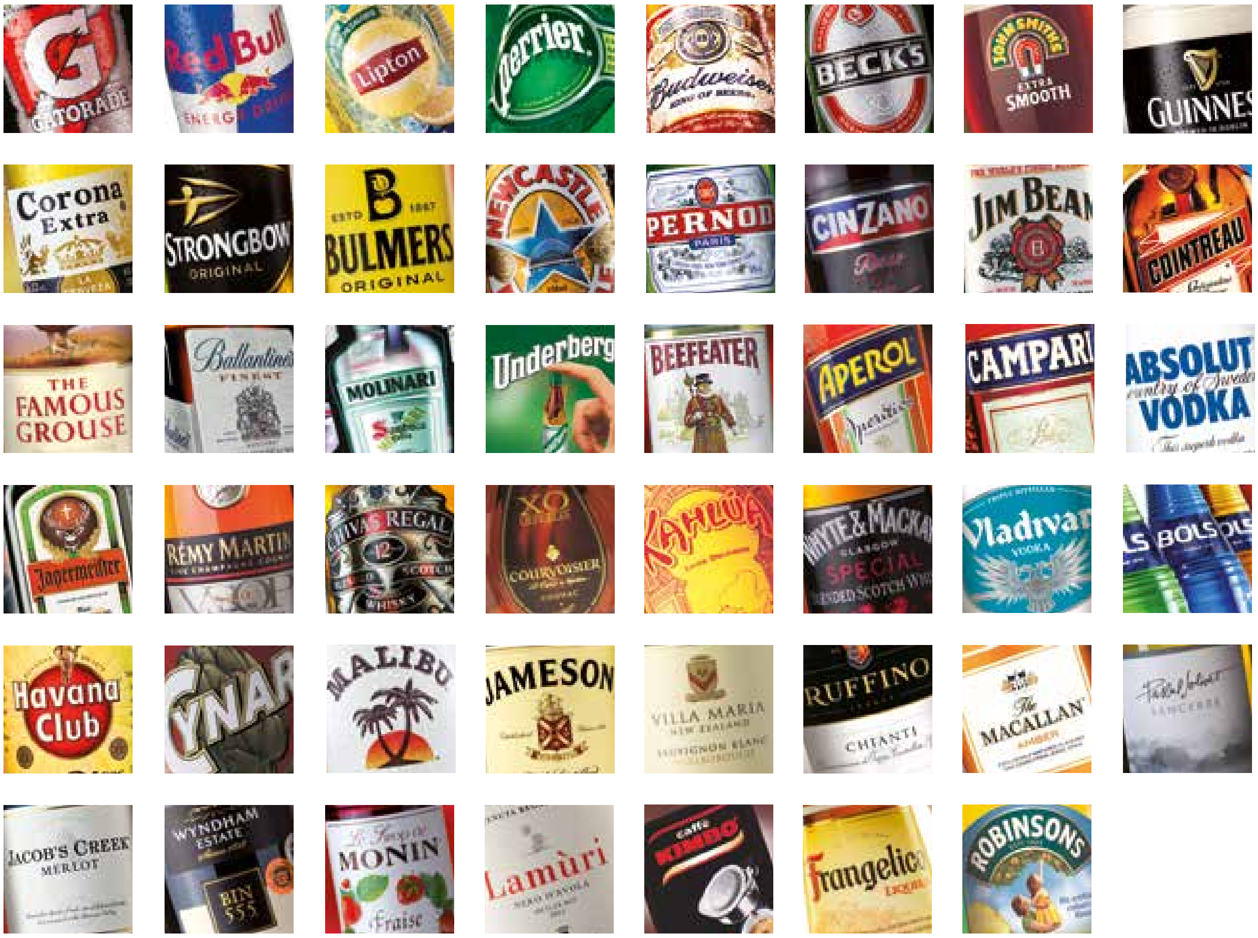
Havana Club's growing image as an outstanding rum led to increased sales, and Aperol Spritz has become the mainstay of the aperitivo hour. An innovative 'après-sea' programme developed for Jagermeister proved very popular and led to substantial sales increases.

Absolut strengthened its position as the leading premium vodka on the market and its limited edition Warhol bottles were highly sought after. Another special edition was the Street Art packaging introduced on Perrier bottles and cans which was also very popular with consumers of this iconic brand.

The introduction of an excise duty on wine in January 2015, following the November 2014 budget, entailed the laborious process of the affixing of a banderol on every bottle of wine from 37.5cl upwards. In a sector marked by a large number of importers, it is hoped that the regulatory authorities will use these banderols to monitor the market closely and to ensure a level playing field with all importers adhering to the proper fiscal and legal requirements.

Our set strategy on wines has led to continued positive results with regular promotions in retail outlets growing the sales of our brands. We organised a series of wine-tasting events in restaurants, often supported by representatives of our principals, to create more knowledge and awareness of the fine wine brands in our portfolio.

Strengthening and widening the distribution of all our brands in the Maltese market remains a key priority and we plan to achieve this through a programme of integrated sales and marketing actions.



FARSONSDIRECT

Farsonsdirect has also seen good growth this year and is fast becoming a reference point for beverages due to its wide selection of wines, including fine wines, a full range of spirits and other beverages as well as related food items. The wine shop at farsonsdirect has been refurbished and the enhanced shopping experience we offer here has elicited positive feedback.

The outlet has therefore been attracting growing numbers of both private clients and also trade customers who find the central location and easy parking a major bonus. There has also been a growth in the number of customers who prefer to buy on-line and this complements our outlet in Mriehel.

QUINTANO FOODS

The grocery retail sector continued to transform itself, in line with trends observed across the rest of Europe. Hard discounters are gaining more ground whereas traditional supermarkets and grocery stores are struggling to retain the same level of growth experienced in previous years, with some even registering declining turnovers.

On the other hand, a number of convenience stores, who have responded positively to changing shopper preferences, habits and lifestyles, are establishing their presence on the market.

During the past year there was also an increased focus on private label by the key players in the supermarket business, seeking to defend themselves against the discounters by offering more value to their customers. As a result of all these market developments, we have witnessed intensive competition amongst food importers and distributors.

Quintano Foods consolidated its focus on all the brands it represents, and has the necessary capability to respond to all the ongoing market changes in the most efficient manner and thereby exploit market opportunities. As part of this, we undertook a major re-organisation of our sales and marketing functions, to ensure better market coverage and added sales expertise in the different channels we service.

This approach has already started to yield positive results towards the second half of the year, and will surely have a positive impact on our future plans to expand our product portfolio in the light of evolving market and trade channel needs.

We also embarked on a number of national promotions, some of our more successful campaigns and promotions were carried out jointly with other branded products which the group represents.

Being part of the Farsons Group, quality and product excellence are high on our agenda; we enhanced our quality and health and safety standards further and obtained very positive reviews from our international auditors. There was also a drive to rationalise our logistics operations, which has resulted in better cost efficiencies.

Our approach going forward is twofold: to achieve organic growth for the brands we represent; and to deliver further growth by extending our representation of new brands. In line with Quintano Foods' strategy, these new brands will have an international profile, be already well established in their market sector, or cater for the growing demand for 'better for you' products.

"OUR APPROACH GOING FORWARD IS TWOFOLD: TO ACHIEVE ORGANIC GROWTH FOR THE BRANDS WE REPRESENT; AND TO DELIVER FURTHER GROWTH BY EXTENDING OUR REPRESENTATION OF NEW BRANDS."

FARSONS GROUP
Quintano
FOOD IMPORTERS

The first Burger King drive-thru in the Maltese market is a first in many ways, boasting a new design concept with a seating capacity of over 200 indoor and outdoor dining spaces.

FOOD CHAIN

Food Chain, now incorporating twelve restaurants, registered a significant improvement in its performance over the previous year, with increases registered in both turnover and profitability in each of the three food franchise brands we represent. During the year we opened our first Burger King drive-thru restaurant in Qormi.

PIZZA HUT

Pizza Hut sales have maintained their growth pattern, particularly in the delivery segment of the business where we have continued to intensify our efforts to further improve our level of service. In fact, during the year we increased our fleet of delivery vehicles with the aim of improving the average delivery time. This effort has not gone unnoticed as we have seen a large increase in the number of deliveries we are effecting and have also seen a sharp increase in the number of new customers using our service.

During the year, we also saw the launch of a number of new innovative products on a limited time offer. These products increased interest in the brand and further stimulated demand as many patrons visited our restaurants specifically to try them. We also had a number of promotions aimed at offering value to our clients when dining at our restaurants.

BURGER KING

This was an exciting year for Burger King with the opening of our first drive-thru restaurant at The Landmark in Qormi. The outlet has now become our flagship restaurant, sporting the latest Burger King styling, and offering our guests a relaxed dining environment in a contemporary setting. The restaurant also has extensive outdoor seating with a children's play area.

The current year will mark the 20th Anniversary of Burger King's presence in Malta, and we plan to launch a number of initiatives to celebrate the occasion. We will also be embarking on projects to further strengthen our presence on the market with further expansion.

KFC

We delivered yet another very positive performance where we had substantial increases in both KFC outlets. Throughout the year we launched a number of limited time offer items as well as a number of box meals which have now become a regular item on our menus.

With regard to deliveries, KFC continued to increase its presence on the market and we also managed to introduce our service to a sizable number of new households. A number of mail shot promotions were organised in all our delivery zones.

FARSONS GROUP
Trident
PROPERTY MANAGEMENT

TRIDENT DEVELOPMENTS LIMITED

Trident Developments successfully manages existing property assets through lease contracts on a number of its properties.

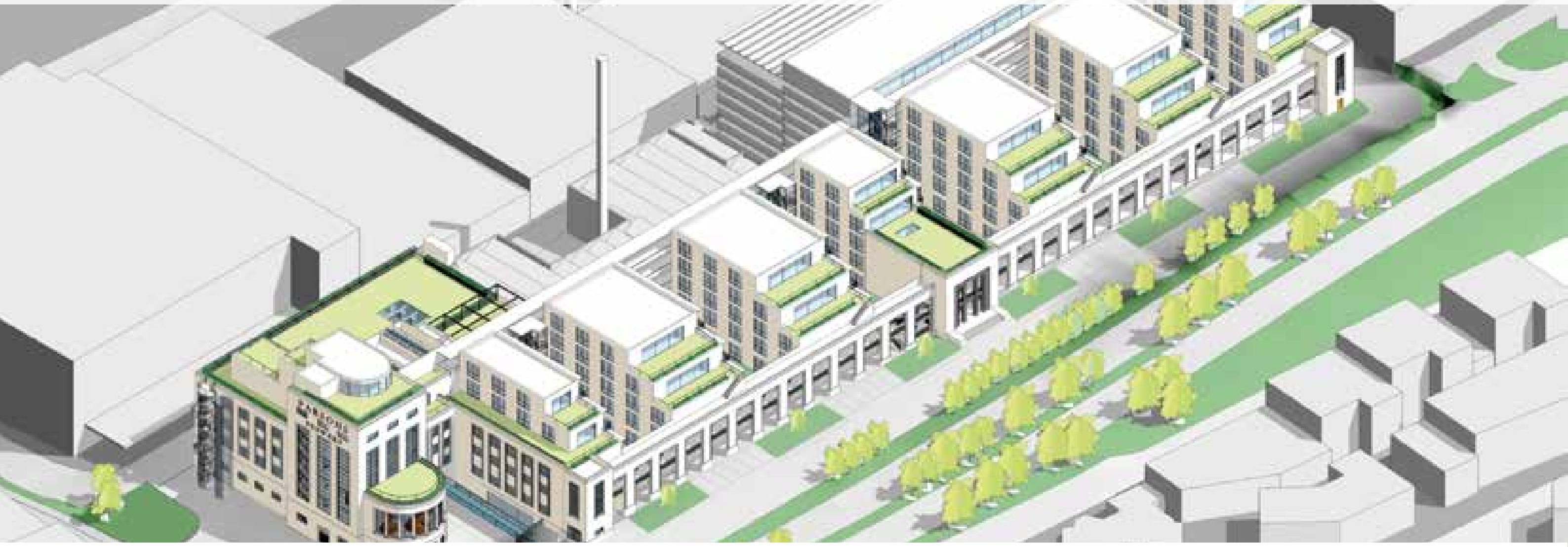
It has also been managing the design development project of the Farsons Business Park. This development comprises the regeneration and conservation of the façade as well as the iconic old brewhouse.

A master plan for this development was approved during the second half of 2014 and concept designs for Phase I of the master plan have also just been approved. The design and local team met regularly in Malta and in the UK to generate and develop concept design ideas.

The team also had periodic consultations with statutory authorities to ascertain that the work being carried out respects the historical value of the façade as well as the aspirations of the stakeholders concerned. The designs do not just respect the listed buildings themselves but ensure that the project in itself will be innovative in terms of environmental sustainability.

Detailed feasibility studies have accompanied this design process so that all plans currently being formulated are assessed for their economic viability.

A separate company announcement on this project and the setting up of a separate public limited company for our property assets shall be made before the Annual General Meeting.



The Farsons Business Park

FORWARD WITH ADDED DETERMINATION

The market within which the group operates remains highly competitive with constant pressures on volumes and margins. Efficiency improvements through planned investment, product innovation, further application of technology, cost containment, review of internal processes and exports growth will continue to be areas of focus. This is in line with the group's strategic vision of growing the local and international business in order to establish the group as a regional player within the food and beverage sector.

The development of the new state-of-the-art €27 million beer packaging facility is progressing on schedule and is planned to be completed by April 2016. The completion of the investment shall strengthen the group further and enable us to penetrate the targeted overseas markets more aggressively.

The consistency in our improved results continues to motivate and fill us with positive energy. While we continue to achieve better results, we also need to continue in our efforts as there still remains a lot to be done. The market is certainly not short of challenges, but likewise there are opportunities.

Despite the market changes and continued fierce competition across all sectors in which we operate, our ambitions for profitable growth remain strong. Apart from going for further organic growth, we remain committed to secure extended brand representation to further accelerate this growth with innovation and exports remaining our two areas of strategic focus.

To conclude a word of thanks to everyone within Farsons for all the hard work and collective effort. A particular note of appreciation to our Chairman, Louis A Farrugia, the board of directors and all the management team for all the support and valid contribution throughout the year. We have every reason to be confident, in spite of the continued challenging and competitive environment ahead. We will continue to move forward with added determination.

Norman Aquilina *Group Chief Executive*
29 April 2015

Simonds Farsons Cisk plc

Annual Report **2014/15**

Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2015

DIRECTOR'S REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2015.

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 and property management.

Review of the business

TRADING PERFORMANCE

The board of directors is pleased to announce the Farsons group's results for the financial year ending 31 January 2015.

The group registered another record performance with a marginal increase in turnover from its core and continuing operations and a double-digit growth in profitability compared to the previous year.

Group turnover amounted to €79,206,000, an increase of 1% over last year. Operating profit increased by €1,278,000 to reach €9,695,000, whilst profit before tax and discontinued operations, at €8,235,000, represents a growth of 20% (€1,360,000) over the record figure of last year.

The following factors impacted the results for the year in a positive manner:

- Further growth in the local economy
- Record tourist arrivals and expenditure
- A positive performance of key beverage brands
- New product launches
- Overhead cost containment and significant reductions in raw material prices
- Ongoing review of internal processes and technology to improve efficiency

The company continues to prepare for additional export opportunities that will arise following the commissioning of the new beer packaging hall in April 2016.

Food Chain registered an encouraging year of growth in turnover and profitability. Of particular note was the opening of a new Burger King drive-thru restaurant in July 2014.

The food importation arm continues to face challenges in the light of continued intense competition within the sector. An action plan is currently in place in order to improve the overall business performance.

The profit for the year after tax including discontinued operations amounted to €8,009,000, significantly higher than the €6,325,000 reported for the previous financial year. The group's statement of financial position remains strong and the net asset base continued to improve to reach €100,235,000. EBITDA for the year amounted to €15,887,000 compared to €14,197,000 last year.

DISCONTINUED OPERATIONS

During the past financial year to date, the board has confirmed its intent to hive off the property interests from the other business activities, and eventually spin-off this segment into a separate and distinct public company. It is the board's opinion that, following the approval of the concept and design for the initial phases of the development of the Farsons Business Park, it is the appropriate time to disclose the results and related assets and liabilities of this segment as a discontinued operation. In this respect, the assets relating to the property management segment are being classified as held for sale.

FAIR VALUE OF PROPERTY

Following independent valuations of the group's properties carried out by two architectural firms in 2007, the board of directors approved a surplus in the value of its properties that was then incorporated within the group's consolidated balance sheet, with the surplus, net of deferred tax, being credited to reserves.

A number of developments have since taken place, including the scheduling of the brewery façade by MEPA and the extensive and detailed studies of the Farsons Business Park master plan. Financial feasibility studies have been carried out and the proposal for the development of the property is now close to finalisation. The board is of the opinion that a fair value downward adjustment of €5,200,000 (net of deferred taxation) to the property values should be reflected in the books of accounts. This movement is being recorded under discontinued operations given that it is related to the property segment.

FARSONS BUSINESS PARK

It is the board's intention to make a separate company announcement on this development before the forthcoming Annual General Meeting.

DEFERRED TAXATION

As reported within the interim report published on 24 September 2014, the manufacturing operation of the group has been availing itself of investment aid under the various investment tax credit schemes that were applicable until 30 June 2014. The company had an unrecognised deferred tax asset amounting to €15,469,000 as at 31 January 2014. In view of the fact that the investment tax credit schemes have become more restrictive in respect of large undertakings, the group has reviewed 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 €5,274,000. The company still retains an unrecognised deferred tax asset on unutilised investment tax credits amounting to a further €5,467,000 as at the end of the financial year under review.

Outlook for financial year ending 31 January 2016

The market within which the group operates remains highly competitive with constant pressures on volumes and margins. Efficiency improvements through planned investment, product innovation, further application of technology, cost containment, review of internal processes and exports growth will continue to be areas of focus. This is in line with the group's strategic vision of growing the local and international business in order to establish the group as a regional player within the food and beverage sector.

The development of the new state-of-the-art €27 million beer packaging facility is progressing on schedule and is planned to be completed by April 2016. The completion of this investment shall strengthen the group further and enable it to penetrate the targeted overseas markets more aggressively.

Furthermore, the franchised food business shall expand further through the opening of two new restaurants by the end of the current financial year.

Dividends

The income statements are set out on page 45.

The directors declared a net interim dividend of €1,000,000 which was paid on 17 October 2014 to the ordinary shareholders, and will recommend the payment of a final dividend of €2,000,000 at the Annual General Meeting scheduled for 25 June 2015. The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 26 June 2015 (also out of tax exempt profits) to those shareholders included on the register of members of the company on 27 May 2015. As a result, total declared dividends relating to the financial year ending 31 January 2015 shall equate to €3,000,000 (2014: €2,500,000).

Retained profits carried forward at the reporting date amounted to €38,864,000 (2014: €28,155,000) for the group and €36,083,000 (2014: €25,963,000) for the company.

Directors

The directors who held office during the year were:

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

Mr Roderick Chalmers, Mr Michael Farrugia 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 the directors determine is 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 2015 are included in the Annual Report 2015, 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 2015, 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 14 of the financial statements on page 79.

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 2015, 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 Farrugia

Louis A. Farrugia
Chairman

Vincent Curmi
Vice-Chairman

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

Antoinette Caruana *Company Secretary*
29 April 2015

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 in 1948 as a public limited liability company, 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.

In December 2001, the board established a Group Executive Board (GEB) 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 GEB 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 GEB 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 includes a Chairman of the GEB and a Group Chief Executive, two positions which are occupied by Mr. Louis A. Farrugia and Mr. Norman Aquilina respectively.

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 Group Chief Executive chairs a Farsons Group Management Meeting on a weekly basis, during which operational issues on a company and group basis are discussed. 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 comprise SFC directors and/or representatives of the GEB, 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

The board is composed of a chairman who also acts as chairman of the GEB, a non-executive vice-chairman and six other non-executive directors.

Executive Directors

Mr Louis A. Farrugia F.C.A. – *Chairman*

Non-Executive Directors

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

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 of the Group Executive Board and Mr. Michael Farrugia, are considered independent as no shareholder has a controlling interest and has no relationship with management.

The board has taken the view that the length of service on the board and the close family ties between board members who undertake an executive or senior management role in the company do not undermine any of the directors' ability to consider appropriately the issues which are brought before the board. Apart from possessing valuable experience and wide knowledge of the company and its operations, the board feels that the directors in question are able to exercise independent judgement and are free from any relationship which can hinder their objectivity. On the other hand, the board believes that by definition, employment with the company renders a director non-independent from the institution. This should not however, in any manner, detract from the non-independent director's 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:	14
Members Attended	
Mr Louis A. Farrugia – *Chairman*	14
Mr Vincent Curmi – *Vice-Chairman*	14
Marquis Marcus John Scicluna Marshall	13
Mr Marcantonio Stagno d'Alcontres	11
Dr Max Ganado	10
Mr Roderick Chalmers	13
Ms Marina Hogg	14
Mr Michael Farrugia	14

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 Group Executive Board.

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

Corporate Governance Committee is presided over by a non-executive director. 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 the non-executive vice-chairman 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 assist the board in fulfilling its oversight responsibilities and to give advice on the effectiveness of the internal control systems and procedures, accounting policies, management of financial risks, financial reporting processes, as well as compliance with regulatory and legal requirements.

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.

The Audit Committee is chaired by the non-executive vice-chairman and comprises three other members all of whom are independent non-executive directors of the company. Mr. Vincent Curmi, the chairman of the Audit Committee, was appointed by the board in terms of Listing Rule 5.118 in view that he is a Certified Public Accountant and holder of a practising certificate in auditing.

Throughout the year ended 31 January 2015, the Audit Committee held four meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the Group Internal Auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

The Group Internal Auditor, who also acts as secretary to the Audit Committees, is present at Audit Committee meetings. The external auditors are invited to attend specific meetings of the Audit Committee, and are also entitled to convene a meeting of the committee if they consider that it is necessary. The chairman of the Group Executive 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.

A group internal audit department was established in 1993 and 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 the non-executive vice-chairman, examines and reports on any proposal made by the GEB 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

In 2009, a ***Board Performance Evaluation Committee*** chaired by a non-executive director, was set up. Its role 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 a non-executive director was set up in March 2013 with the objective of leading the process for board appointments and to make recommendations to it. Any proposal for the appointment of a director whether by the three major shareholders or by the general meeting of shareholders should be accompanied by a recommendation from the board, based on the advice of the Nomination Committee.

Every shareholder owning twelve and a half percent (12.5%) ordinary issued share capital or more, is entitled to appoint and replace a director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 79), normally each appoint two directors for a total of six, the remaining two directors then being elected by the general public shareholders. Accordingly, no individual or small group of individuals will be in a position to dominate the board. The interests of the directors in the shares of the company are disclosed in this annual report.

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

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

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

The board always ensures that all holders of each class of capital are treated fairly and equally. The board also acts in the context that its shareholders are constantly changing and, consequently, decisions take into account the interests of future shareholders as well.

Shareholders appreciate the significance of participation in the general meetings of the company and particularly in the election of directors. They hold directors to account for their actions, their stewardship of the company's assets and the performance of the company.

The agenda for general meetings of shareholders and the conduct of such meetings is arranged in such a manner to encourage valid discussion and decision-taking.

The Chairman and the Group Chief Executive also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

The company also communicates with its shareholders through the company's Annual General Meeting (AGM) (further detail is provided under the section entitled General Meetings).

The chairman makes arrangements for the chairmen of the Audit and Remuneration Committees to be available to answer questions, if necessary.

Apart from the AGM, SFC communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing and sending to the shareholders its results on an annual basis.

The company's website (www.farsons.com) also contains information about the company and its business, including an Investor Relations section.

In addition, the company holds a meeting for stockbrokers and financial intermediaries once a year to coincide with the publication of its financial statements.

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

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

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

PRINCIPLE 11: CONFLICTS OF INTEREST

The directors are strongly aware of their responsibility to act at all times in the interest of the company and its shareholders as a whole and of their obligation to avoid conflicts of interest. The latter may, and do arise on specific matters. In such instances:

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

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

On joining the board and regularly thereafter, the directors are informed of their obligations on dealing in securities of the company within the parameters of law, including the Listing Rules.

The directors' interests in the share capital of the company as at 31 January 2015 and as at 29 April 2015 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. Having been in existence for more than 80 years, 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:

- 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 which was established in 1995 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 4 (CODE PROVISION 4.2.3):

This Code Provision requires that "The board should establish an Audit Committee in terms of Listing Rules 5.117 - 5.134". Listing rule 5.117 requires that at least one member of the audit committee shall be independent and shall be competent in accounting and/or auditing.

The board notes that the non-executive vice-chairman of the Audit Committee has been chairman of the Audit Committee for a period of 9 years. Although the length of service on the board of the chairman of the Audit Committee may appear to impair his independence, the board is of the opinion that since the non-executive vice-chairman is free from any business, family, or other relationship with the company and its management there are no conflicts of interest which may impair his judgement.

D. Internal control and risk management

INTERNAL CONTROL

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

Organisation:

The group operates through boards of directors of subsidiaries and associates with clear reporting lines and delegation of powers.

Control Environment:

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

Risk Identification:

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

Reporting:

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

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

E. General meetings

The manner in which the general meeting is conducted is outlined in Articles 49 to 52 of the company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995.

Within six months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the annual consolidated financial statements, the directors' and auditor's report for the year, to decide on dividends recommended by the board, to elect the directors and appoint the auditors. Prior to the commencement of the Annual General Meeting, a presentation is made to shareholders on the progress made and strategies adopted during the year in the light of prevailing market and economic conditions and the objectives set by the board, and an assessment on future prospects is given. The group's presence on the worldwide web (www.farsons.com) contains a corporate information section.

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

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

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

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

Approved by the board of directors on 29 April 2015 and signed on its behalf by:

Luis Farrugia

Louis A. Farrugia
Chairman

Vincent Curmi
Vice-Chairman

REMUNERATION REPORT

1. Terms of Reference and Membership

The Remuneration Committee is presided over by the chairman of the company. Its terms of reference are to review from time to time and to report and make recommendations on the non-executive directors' remuneration generally as well as the conditions of service of the chairman, group chief executive and senior management. In the case of the chairman or of any remuneration to an individual director for extra services, the interested director concerned including the chairman, apart from not voting in terms of the SFC statute, does not attend the meeting during the discussion at committee or board level and decisions are therefore taken in his absence.

2. Meetings

The Remuneration Committee met twice during the financial year ended 31 January 2015.

3. Remuneration Statement

3.1 SENIOR EXECUTIVES

For the purposes of this Remuneration Statement, references to 'Senior Executives' shall mean the members of the GEB.

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 Executives are entitled are principally the use of a company car and health insurance.

3.2 DIRECTORS

The board is composed exclusively 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 €500,000 per annum at the 64th Annual General Meeting held on 23 June 2011.

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

Directors' fees	€192,000
Directors' other emoluments	€222,000
Directors' salary	€44,000

Variable and Non Variable Emoluments of Directors and Senior Management

	Fixed Remuneration	Variable Remuneration	Share Options	Others
Senior Management	€375,000	€129,000	None	Non-cash benefits referred to above under 3.1
Directors	€428,000	€30,000	None	Non-cash benefits referred to above under 3.2

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Simonds Farsons Cisk plc

Report on the Financial Statements for the year ended 31 January 2015

We have audited the consolidated and stand-alone parent company financial statements of Simonds Farsons Cisk plc (together the "financial statements") on pages 43 to 78, which comprise the consolidated and parent company statements of financial position as at 31 January 2015, and the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 3, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and the parent company as at 31 January 2015, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

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 Corporate Governance Statement 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 Corporate Governance Statement prepared by the directors.

We read the Corporate Governance Statement 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 Corporate Governance Statement 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 Corporate Governance Statement set out on pages 6 to 17 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

INDEPENDENT AUDITOR'S REPORT *continued*

To the shareholders of Simonds Farsons Cisk plc

Matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- 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, set out on page 3, 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.

PricewaterhouseCoopers
78 Mill Street,
Qormi, Malta

Simon Flynn *Partner*
29 April 2015

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2015	2014	**2015**	2014
	Notes	**€'000**	€'000	**€'000**	€'000
Non-current assets					
Property, plant and equipment	5	**80,170**	73,587	**65,643**	59,019
Investment property	6	**–**	45,189	**–**	32,926
Intangible assets	7	**718**	1,078	**–**	–
Investments in subsidiaries	8	**–**	–	**13,706**	13,706
Investments in jointly-controlled entities	9	**–**	12	**–**	2
Deferred tax assets	21	**1,693**	–	**3,205**	–
Trade and other receivables	12	**1,392**	1,727	**1,392**	1,727
Total non-current assets		**83,973**	121,593	**83,946**	107,380
Current assets					
Inventories	11	**10,264**	10,437	**6,659**	6,753
Loans and receivables	10	**–**	104	**–**	–
Trade and other receivables	12	**16,631**	16,899	**15,730**	15,633
Current tax assets		**344**	339	**–**	–
Cash and cash equivalents	13	**4,505**	1,163	**2,870**	634
Total current assets		**31,744**	28,942	**25,259**	23,020
Non-current assets classified as held for sale	24	**33,041**	–	**20,558**	–
		64,785	28,942	**45,817**	23,020
Total assets		**148,758**	150,535	**129,763**	130,400

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2015	2014	2015	2014
	Notes	€'000	€'000	€'000	€'000
Capital and reserves attributable to owners of the company					
Share capital	14	**9,000**	9,000	**9,000**	9,000
Revaluation and other reserves	16, 17	**53,221**	58,421	**46,121**	53,161
Hedging reserve	18	**(850)**	(302)	**(850)**	(302)
Retained earnings		**38,864**	28,155	**36,083**	25,963
Total equity		**100,235**	95,274	**90,354**	87,822
Non-current liabilities					
Provisions for other liabilities and charges	21, 22	**101**	11,282	**101**	5,786
Trade and other payables	23	**1,593**	538	**1,593**	538
Derivative financial instruments	19	**1,007**	308	**1,007**	308
Borrowings	20	**22,483**	24,198	**22,483**	24,198
Total non-current liabilities		**25,184**	36,326	**25,184**	30,830
Current liabilities					
Trade and other payables	23	**15,837**	15,100	**10,263**	9,827
Current tax liabilities		**502**	800	**–**	–
Derivative financial instruments	19	**300**	156	**300**	156
Borrowings	20	**1,807**	2,879	**1,757**	1,765
Total current liabilities		**18,446**	18,935	**12,320**	11,748
Liabilities directly attributable to non-current assets held for sale	24	**4,893**	–	**1,905**	–
		23,339	18,935	**14,225**	11,748
Total liabilities		**48,523**	55,261	**39,409**	42,578
Total equity and liabilities		**148,758**	150,535	**129,763**	130,400

The notes on pages 48 to 78 are an integral part of these consolidated financial statements.

The financial statements on pages 43 to 78 were authorised for issue by the board on 29 April 2015 and were signed on its behalf by:

Louis A. Farrugia
Chairman

Vincent Curmi
Vice-Chairman

Norman Aquilina
Group Chief Executive

INCOME STATEMENTS

		Year ended 31 January			
		Group		Company	
		2015	2014	2015	2014
	Notes	€'000	€'000	€'000	€'000
Continuing operations:					
Revenue	4	**79,206**	78,337	**44,189**	43,247
Cost of sales	25	**(49,705)**	(50,670)	**(22,653)**	(23,441)
Gross profit		**29,501**	27,667	**21,536**	19,806
Selling and distribution costs	25	**(9,821)**	(9,500)	**(7,256)**	(7,140)
Administrative expenses	25	**(9,609)**	(9,750)	**(5,990)**	(5,883)
Other operating expenses	7	**(376)**	–	**–**	–
Operating profit		**9,695**	8,417	**8,290**	6,783
Investment gains	28	**12**	7	**123**	163
Finance costs	29	**(1,472)**	(1,549)	**(1,458)**	(1,467)
Profit before tax		**8,235**	6,875	**6,955**	5,479
Tax income/(expense)	30	**5,222**	(363)	**5,665**	–
Profit for the year from continuing operations		**13,457**	6,512	**12,620**	5,479
Discontinued operations:					
Loss for the year from discontinued operations	24	**(5,448)**	(187)	**(7,040)**	–
Profit for the year		**8,009**	6,325	**5,580**	5,479
Earnings per share for the year attributable to shareholders arising from:					
– Continuing operations		**€0.449**	€0.217		
– Discontinued operations		**(€0.182)**	(€0.006)		
Profit for the year	32	**€0.267**	€0.211		

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			
		Group		Company	
		2015	2014	2015	2014
	Note	€'000	€'000	€'000	€'000
Profit for the year		**8,009**	6,325	**5,580**	5,479
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	18	**(548)**	124	**(548)**	124
Other comprehensive income for the year		**(548)**	124	**(548)**	124
Total comprehensive income for the year		**7,461**	6,449	**5,032**	5,603
Total comprehensive income attributable to equity shareholders arising from:					
– Continuing operations		**12,909**	6,636	**12,072**	5,603
– Discontinued operations		**(5,448)**	(187)	**(7,040)**	–
		7,461	6,449	**5,032**	5,603

The notes on pages 48 to 78 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 2013		9,000	(426)	58,421	24,930	91,925
Comprehensive income						
Profit for the year		–	–	–	6,325	6,325
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	–	124	–	–	124
Total comprehensive income		–	124	–	6,325	6,449
Transactions with owners						
Dividends relating to 2013 and 2014	15	–	–	–	(3,100)	(3,100)
Balance at 31 January 2014		9,000	(302)	58,421	28,155	95,274
Balance at 1 February 2014		9,000	(302)	58,421	28,155	95,274
Comprehensive income						
Profit for the year		–	–	–	8,009	8,009
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	–	(548)	–	–	(548)
Net transfers of fair value movements on investment property, net of deferred tax	16	–	–	(5,200)	5,200	–
Total comprehensive income		–	(548)	(5,200)	13,209	7,461
Transactions with owners						
Dividends relating to 2014 and 2015	15	–	–	–	(2,500)	(2,500)
Balance at 31 January 2015		**9,000**	**(850)**	**53,221**	**38,864**	**100,235**

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2013		9,000	(426)	53,161	23,584	85,319
Comprehensive income						
Profit for the year		–	–	–	5,479	5,479
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	–	124	–	–	124
Total comprehensive income		–	124	–	5,479	5,603
Transactions with owners						
Dividends relating to 2013 and 2014	15	–	–	–	(3,100)	(3,100)
Balance at 31 January 2014		9,000	(302)	53,161	25,963	87,822
Balance at 1 February 2014		9,000	(302)	53,161	25,963	87,822
Comprehensive income						
Profit for the year		–	–	–	5,580	5,580
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	–	(548)	–	–	(548)
Net transfers of fair value movements on investment property, net of deferred tax	16	–	–	(7,040)	7,040	–
Total comprehensive income		–	(548)	(7,040)	12,620	5,032
Transactions with owners						
Dividends relating to 2014 and 2015	15	–	–	–	(2,500)	(2,500)
Balance at 31 January 2015		**9,000**	**(850)**	**46,121**	**36,083**	**90,354**

The notes on pages 48 to 78 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2015	2014	**2015**	2014
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	33	**17,761**	12,887	**13,778**	11,788
Interest received		**12**	7	**123**	163
Interest paid		**(1,472)**	(1,549)	**(1,458)**	(1,467)
Income tax paid		**(657)**	(237)	**–**	–
Net cash generated from operating activities		**15,644**	11,108	**12,443**	10,484
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,847)**	(5,324)	**(5,837)**	(4,934)
Additions to investment property		**(556)**	–	**(556)**	–
Additions to intangible assets		**(44)**	–	**–**	–
Proceeds from disposal of property, plant and equipment		**33**	66	**10**	33
Net cash used in investing activities		**(7,414)**	(5,258)	**(6,383)**	(4,901)
Cash flows from financing activities					
Payments of current and non-current borrowings		**(1,751)**	(1,749)	**(1,751)**	(1,749)
Institutional grants received		**435**	538	**435**	538
Dividends paid		**(2,500)**	(3,100)	**(2,500)**	(3,100)
Net cash used in financing activities		**(3,816)**	(4,311)	**(3,816)**	(4,311)
Net movement in cash and cash equivalents		**4,414**	1,539	**2,244**	1,272
Cash and cash equivalents at beginning of year		**34**	(1,505)	**619**	(653)
Cash and cash equivalents at end of year	13	**4,448**	34	**2,863**	619

The notes on pages 48 to 78 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These consolidated financial statements include the financial statements of Simonds Farsons Cisk plc and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the non-current asset categories of property, plant and equipment and investment property and except as disclosed in the accounting policies below. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand.

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

Standards, interpretations and amendments to published standards effective in 2015

In 2015, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2014. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the group's accounting periods beginning after 1 February 2014. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2015. The group is considering the implications of the standard and its impact on the group's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission, and will also consider the impact of the remaining phases of IFRS 9 when completed.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on, or after, 1 January 2017 and earlier application is permitted. The group is presently assessing the impact of IFRS 15.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (note 1.8).

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

A listing of the subsidiaries is set out in note 39 to the financial statements.

(b) Jointly-controlled entities

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

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

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

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

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

A listing of the group's jointly-controlled entities is set out in note 39 to the financial statements.

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. On disposal of a foreign entity, such translation differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.4 Group holdings of land and buildings

The group owns extensive holdings of land and buildings which are accounted for under two categories depending on their current or intended use:

(a) Properties used as business, manufacturing and operational premises by the group including factories, warehouses, offices and commercial buildings, are accounted for as property, plant and equipment and are included under non-current assets. Surplus properties previously employed in the group's operations, are classified as non-current assets held for sale;

(b) Other properties held by the group for capital appreciation and for long-term rental purposes are accounted for as investment property and are also included under non-current assets held for sale.

1.5 Property, plant and equipment

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 1.8).

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

1.6 Investment property

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

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

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

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

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

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

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

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

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

1.7 Intangible assets

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

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

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

1.8 Impairment of non-financial assets

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

1.9 Investments in subsidiaries and jointly-controlled entities

In the company's separate financial statements, investments in subsidiaries and jointly-controlled entities are accounted for by the cost method of accounting, that is, at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The company gathers objective evidence that an investment is impaired using the same process disclosed in note 1.10.3. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as loans and receivables in accordance with the requirements of IAS 39.

1.10 Financial assets

1.10.1 Classification

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

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

1.10.2 Recognition and measurement

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

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.10.3 Impairment

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

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

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

1.11 Inventories

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

1.12 Trade and other receivables

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

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

1.13 Current and deferred tax

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

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

Deferred taxation 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Under this method the group is required to make a provision for deferred income taxes on the revaluation and fair valuation of certain non-current assets and derivative contracts. Such deferred tax is charged or credited directly to the revaluation reserve and/or the unrealised fair value gains reserve and hedging reserve. Deferred income 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 investment 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 income 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 income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.14 Cash and cash equivalents

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

1.15 Discontinued operations and non-current assets held for sale

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

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

1.16 Share capital

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

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

1.17 Borrowings

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

1.18 Provisions

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

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

1.19 Termination benefits

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

1.20 Trade and other payables

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

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

1.21 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statements of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expired.

1.22 Offsetting financial instruments

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

1.23 Revenue recognition

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

(a) Sales of goods – wholesale

Sales of goods are recognised when an entity has delivered products to the customer, the customer has accepted the products and collectibility of the related trade and other receivables is reasonably assured. Branded beers, beverages and food products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of goods – retail

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

(c) Sales of services

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

(d) Property related income

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

(e) Finance income

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

(f) Dividend income

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

1.24 Operating leases

Where a group company is a lessee

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

Where a group company is a lessor

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

1.25 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 forward foreign exchange contracts, interest rate swap agreements and combined bought call and written put options, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. Fair values of combined bought call and written put options are mainly based on dealer quotes obtained at the reporting date from the company's counterparty. 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 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 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 life of the related assets.

2. Financial risk management

2.1 Financial risk factors

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. From time to time, the group enters into foreign exchange contracts and more recently into foreign exchange collars 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.

The group's and company's loans and receivables, cash and cash equivalents and borrowings are denominated in euro.

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

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

At 31 January 2014, the settlement dates on open contracts ranged between two and ten months. These derivatives contracts had a notional amount of €2,125,000. If as at year end, the above noted currencies had weakened or strengthened against the euro by 5% with all other variables held constant, equity would have been €112,000 lower or higher, mainly as a result of fair value movements on these derivative financial instruments. Such losses or gains in respect of a weakening or a strengthening of the above noted currencies against the euro would mitigate, to the extent of an amount of currency purchases equivalent to the derivative contracts' notional amount as disclosed above, the equivalent gains or losses that would arise upon the actual purchases.

(ii) Cash flow and fair value interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to note 20), 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 20), 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 a loan amounting to €5.5 million (2014: €6.5 million) that is subject to interest at floating rates linked to Euribor. The group entered into an interest-rate swap agreement, which provided a cash flow hedging relationship in respect of variability of future floating interest payments. This agreement covers interest payments on the total amount of this borrowing. Accordingly, this hedging instrument has been designated as cash flow hedges on the interest rate risk, that is, volatility in floating interest amounts. Up to the reporting date, the group did not have any hedging arrangements with respect to the exposure of interest rate risk on other interest-bearing liabilities.

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

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, loans and receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Carrying amounts				
Loans and receivables *(note 10)*	**–**	104	**–**	–
Trade and other receivables *(note 12)*	**16,979**	17,692	**16,624**	15,969
Cash and cash equivalents *(note 13)*	**4,505**	1,163	**2,870**	634
	21,484	18,959	**19,494**	16,603

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

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

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the group's standard payment and service delivery terms and conditions are offered. The group's review includes external creditworthiness databases when available. The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

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

Impairment losses

Trade and other receivables

At group level, impairment provisions of €2,540,000 (2014: €2,042,000) were in existence at the year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €709,000 (2014: €629,000). These unsecured overdue amounts consisted of €540,000 (2014: €502,000) that were less than three months overdue and €169,000 (2014: €127,000) that were greater than three months overdue.

At company level, impairment provisions of €1,128,000 (2014: €698,000) were in existence at the year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €253,000 (2014: €125,000). These unsecured overdue amounts consisted of €253,000 (2014: €125,000) that were less than three months overdue.

Other receivables

As at year end, impairment provisions of €1,620,000 (2014: €1,625,000) for the group and the company were in existence at year end in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €1,901,000 (2014: €1,858,000) for the group and the company. The group and company hold security of €1,886,000 (2014: €2,248,000) against trade loans of an equivalent amount.

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Balance as at 1 February	**3,667**	3,542	**2,323**	2,300
Movement in provision for impairment	**492**	125	**425**	23
Balance as at 31 January	**4,159**	3,667	**2,748**	2,323

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

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

Derivative financial instruments

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

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade and other payables (refer to notes 20 and 23). 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 2015					
Borrowings	**24,290**	**25,790**	**2,299**	**22,771**	**719**
Trade and other payables	**15,673**	**15,673**	**15,673**	**–**	**–**
	39,963	**41,463**	**17,972**	**22,771**	**719**
31 January 2014					
Borrowings	27,077	29,170	3,472	7,510	18,188
Trade and other payables	15,100	15,100	15,100	–	–
	42,177	44,270	18,572	7,510	18,188
COMPANY					
31 January 2015					
Borrowings	**24,240**	**25,739**	**2,249**	**22,771**	**719**
Trade and other payables	**10,099**	**10,099**	**10,099**	**–**	**–**
	34,339	**35,838**	**12,348**	**22,771**	**719**
31 January 2014					
Borrowings	25,963	28,056	2,358	7,510	18,188
Trade and other payables	9,827	9,827	9,827	–	–
	35,790	37,883	12,185	7,510	18,188

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 2015				
Interest rate derivative				
– Interest rate swap	300	1,237	(230)	**1,307**
31 January 2014				
Interest rate derivative				
– Interest rate swap	136	296	12	444
Foreign exchange derivatives				
– Combined bought call and written put options	5	–	–	5
	141	296	12	449

The group's derivatives that will be settled on a gross basis consist principally of forward foreign exchange contracts (note 19). The table below analyses the group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000
GROUP AND COMPANY				
31 January 2014				
Foreign exchange derivatives				
– Outflows	(1,566)	–	–	(1,566)
– Inflows	1,551	–	–	1,551
	(15)	–	–	(15)

2.2 Capital risk management

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

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

Total capital is measured by reference to the amounts reflected in the financial statements where the group's property, plant and equipment and investment property are stated at revalued amounts and fair value amounts respectively.

Total borrowings include unsecured bonds issued by the company. The gearing ratios at 31 January 2015 and 2014 were as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Total borrowings (note 20)	**24,290**	27,077	**24,240**	25,963
Less Cash at hand and in bank	**(4,505)**	(1,163)	**(2,870)**	(634)
	19,785	25,914	**21,370**	25,329
Total equity	**100,235**	95,274	**90,354**	87,822
Total equity and net borrowings	**120,020**	121,188	**111,724**	113,151
Gearing	**16.48%**	21.38%	**19.13%**	22.39%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2015 and 2014 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 and jointly-controlled entities which are current or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts.

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

The group's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (note 19).

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).

	2015 Level 2	2014 Level 2
	€'000	€'000
GROUP AND COMPANY		
Liabilities		
Interest rate derivative		
– Interest-rate swap	**1,307**	444
Foreign exchange derivatives		
– Currency forwards	**–**	15
– Combined bought call and written put options	**–**	5
	1,307	464

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, 6, 7 and 21 are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Segment Information

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

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

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

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

During the 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 completion date for this transaction is expected within the next 24 to 36 months. Consequently the results and related assets and liabilities of the segment are classified and discontinued and held for sale.

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, investment property, plant, machinery and equipment, intangible assets, inventories, loans, trade and other receivables and cash and cash equivalents. Taxation is not considered to be segment assets but rather is managed by the treasury function.

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

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Property management	**Group**
	€'000	€'000	€'000	€'000	**€'000**
2015					
Revenue	45,500	28,655	10,984	–	**85,139**
Less: inter-segmental sales	(1,633)	(4,300)	–	–	**(5,933)**
	43,867	24,355	10,984	–	**79,206**
Segment results	7,669	1,345	681	–	**9,695**
Net finance costs					**(1,460)**
Profit before tax					**8,235**
Tax income					**5,222**
Profit from continuing operations					**13,457**
Loss from discontinuing operations	–	–	–	(5,448)	**(5,448)**
Profit for the year					**8,009**
Segment assets	90,981	12,543	10,154	–	**113,678**
Non-current assets held for sale				33,041	**33,041**
Unallocated assets					**2,039**
Total assets					**148,758**
Segment liabilities	13,313	3,199	2,326	–	**18,838**
Liabilities directly attributable to non-current assets held for sale				4,893	**4,893**
Unallocated liabilities					**24,792**
Total liabilities					**48,523**
Additions to non-current assets	5,956	219	649	23	**6,847**
Depreciation	4,766	289	530	87	**5,672**
Amortisation	35	–	28	–	**63**
Impairment provision for trade receivables	405	87	–	–	**492**

	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
2014					
Revenue	44,474	29,250	10,052	–	83,776
Less: inter-segmental sales	(1,305)	(4,134)	–	–	(5,439)
	43,169	25,116	10,052	–	78,337
Segment results	6,199	1,641	577	–	8,417
Net finance costs					(1,542)
Profit before tax					6,875
Tax expense					(363)
Profit from continuing operations					6,512
Loss from discontinued operations				(187)	(187)
Profit for the year					6,325
Segment assets	81,465	12,464	9,201	46,558	149,688
Jointly-controlled entities	–	–	–	508	508
Unallocated assets					339
Total assets					150,535
Segment liabilities	11,495	2,779	1,548	446	16,268
Unallocated liabilities					38,993
Total liabilities					55,261
Additions to non-current assets	4,997	136	187	4	5,324
Depreciation	4,747	290	475	117	5,629
Amortisation	32	–	26	–	58
Impairment provision for trade receivables	(9)	143	–	(9)	125

5. Property, plant and equipment

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
At 1 February 2013				
Cost or valuation	53,865	–	108,732	162,597
Accumulated depreciation and impairment	(3,603)	–	(85,016)	(88,619)
Net book amount	50,262	–	23,716	73,978
Year ended 31 January 2014				
Opening net book amount	50,262	–	23,716	73,978
Additions	1,709	181	3,434	5,324
Disposals	(1)	–	(492)	(493)
Depreciation	(844)	–	(4,785)	(5,629)
Impairment of assets	(48)	–	(7)	(55)
Depreciation released on disposals	–	–	462	462
Closing net book amount	51,078	181	22,328	73,587
At 31 January 2014				
Cost or valuation	55,573	181	111,674	167,428
Accumulated depreciation and impairment	(4,495)	–	(89,346)	(93,841)
Net book amount	51,078	181	22,328	73,587
Year ended 31 January 2015				
Opening net book amount	51,078	181	22,328	73,587
Additions	244	3,314	3,289	6,847
Disposals	–	–	(85)	(85)
Depreciation	(863)	–	(4,809)	(5,672)
Depreciation released on disposals	–	–	65	65
Transfer to non-current assets held for sale (note 24)	–	–	(23)	(23)
Transfer from investment property (note 6)	5,451	–	–	5,451
Closing net book amount	**55,910**	**3,495**	**20,765**	**80,170**
At 31 January 2015				
Cost or valuation	61,268	3,495	114,855	179,618
Accumulated depreciation and impairment	(5,358)	–	(94,090)	(99,448)
Net book amount	55,910	3,495	20,765	80,170

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
COMPANY				
At 1 February 2013				
Cost or valuation	39,249	–	87,887	127,136
Accumulated depreciation and impairment	(2,048)	–	(66,346)	(68,394)
Net book amount	37,201	–	21,541	58,742
Year ended 31 January 2014				
Opening net book amount	37,201	–	21,541	58,742
Additions	1,705	181	3,048	4,934
Disposals	–	–	(332)	(332)
Depreciation	(638)	–	(4,013)	(4,651)
Depreciation released on disposals	–	–	326	326
Closing net book amount	38,268	181	20,570	59,019
At 31 January 2014				
Cost or valuation	40,954	181	90,603	131,738
Accumulated depreciation and impairment	(2,686)	–	(70,033)	(72,719)
Net book amount	38,268	181	20,570	59,019
Year ended 31 January 2015				
Opening net book amount	38,268	181	20,570	59,019
Additions	25	3,314	2,498	5,837
Disposals	–	–	(35)	(35)
Depreciation	(650)	–	(4,014)	(4,664)
Depreciation released on disposals	–	–	35	35
Transfer from investment property (note 6)	5,451	–	–	5,451
Closing net book amount	**43,094**	**3,495**	**19,054**	**65,643**
At 31 January 2015				
Cost or valuation	46,430	3,495	93,066	142,991
Accumulated depreciation and impairment	(3,336)	–	(74,012)	(77,348)
Net book amount	43,094	3,495	19,054	65,643

Assets in course of construction mainly relate to works carried out as at 31 January 2015 on the development of the new beer packaging hall situated within the group's manufacturing and distribution complex in Mriehel.

Assets transferred from investment property amounting to €5,451,000 relate to property which the company will be using for operational purposes in the foreseeable future (note 6).

Bank borrowings are secured by the group's and company's property, plant and equipment (note 20).

Fair value of property

On 31 January 2008, the directors approved revaluations of the owned property by the group and classified it under property, plant and equipment, after assessing the valuations made by duly appointed independent chartered architectural firms. These valuations were determined on the basis of open market values after considering the intrinsic value of the property and net potential returns. The directors have confirmed these values as at 31 January 2015 with the exception of the valuation related to the Brewery façade as noted hereunder.

During the financial year ended 31 January 2015, the board has confirmed its vision to carve out the property segment and eventually spin-off this segment as a separate business. It is the board's opinion that, following the approval of the concept and design for the initial phases of the development of the Farsons Brewery Park project, it is the appropriate time to disclose this segment as a discontinued operation and, in this respect, the assets relating to the property management segment are being presented as held for sale.

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 2014, the group's land and buildings within property, plant and equipment, comprised properties as described in note 1.4(a), including the company's brewery. The group's investment property mainly comprised commercial properties leased out to third parties and property held for capital appreciation (refer to note 6) while the company's investment property mainly comprised property held for capital appreciation.

Following the developments noted above in 2015, the group's land and buildings within property, plant and equipment, comprises properties as described in note 1.4(a), including the company's brewery and adjacent property. The group's assets held for sale include investment property mainly comprises commercial properties leased out to third parties, property held for capital appreciation and property earmarked for extended commercial development (refer to note 24).

All the recurring property fair value measurements at 31 January 2015 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 2015.

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 and in the table in note 6. The only movement in land and buildings classified as property, plant and equipment reflects additions and depreciation charge for the year ended 31 January 2015, while the only movement in investment property reflects additions and fair value movements which were recognised in profit or loss (if any).

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 replacement cost approach (in the case of certain buildings). In 2015, the discounted projected cash flows approach was adopted for parts of the façade property. 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 square metre related to transactions in comparable properties located in proximity to the group's property, with significant adjustments for differences in the size, age, exact location and condition of the property.

In the case of the capitalised rentals approach, the significant unobservable inputs include a rental rate per square metre (also in respect of comparable properties as described in the case of the sales comparison approach), a capitalisation rate (applied at 7%), and, if applicable, development or refurbishment costs which must be incurred before the property can earn the potential rental cash flows. Meanwhile, development costs are also the significant unobservable input in the case of the replacement cost approach.

In the case of certain areas of the façade property, the discounted projected cash flows approach based on the highest and best use basis was adopted taking into consideration certain MEPA restrictions. The significant unobservable inputs include annualised net cash inflows per square metre (driven by premium market rentable rates) from the commission property, a capitalisation rate (applied at 6.5%), and development costs (based on high quality finishes). The resulting gross development return has been split between development return (assumed at 15%) with the residual value attributed to the company land value. In prior years this property was assessed through the capitalised rentals approach. This change in valuation technique resulted in a re-assessment of the fair value of the related property resulting in a fair value downward adjustment of €8,000,000. Moreover, the group transferred certain properties between categories following the decision to classify non-operational property as held for sale.

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

Description by class based on highest and best use	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
As at 31 January 2015	**€'000**			€
Current use as manufacturing or related premises	**43,154**	Sales comparison approach	Sales price per square metre	582
		Replacement cost approach	Development cost per square metre	175 – 466
		Capitalised rentals approach	Rental rate per square metre	100 – 225
		Discounted cashflow approach	Annual net cashflows per square metre	164 – 242
Current use as commercial premises	**17,836**	Capitalised rentals approach	Rental rate per square metre	61 – 349
Developable as extended-commercial premises	**8,250**	Discounted cashflow approach	Annual net cashflows per square metre	100 – 225
Developable land for mixed use/commercial use	**18,964**	Sales comparison approach	Net sales price per square metre	577 – 1,035
As at 31 January 2014				
Current use as manufacturing premises	**38,268**	Sales comparison approach	Sales price per square metre	582
		Replacement cost approach	Development cost per square metre	175 – 466
Current use as commercial premises	**17,121**	Capitalised rentals approach	Rental rate per square metre	61 – 349
Developable as extended-commercial premises	**33,414**	Sales comparison approach	Sales price per square metre	582
		Capitalised rentals approach	Rental rate per square metre	58 – 143
Developable land for mixed use/commercial use	**7,464**	Sales comparison approach	Net sales price per square metre	577 – 1035

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 the case of the replacement cost approach, the higher the development cost per square metre, 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 as extended-commercial premises, as well as 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. Nevertheless, should the group vacate those properties which it currently partly uses, it would be required to find alternative premises to carry out those operations which are currently carried out in the group's properties which are earmarked for further development.

As at 31 January 2015, the carrying amount of land and buildings would have been €23,284,000 (2014: €23,903,000) 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 25 are included in the income statements as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Cost of sales	**3,420**	3,546	**2,740**	2,836
Selling and distribution costs	**1,462**	1,411	**1,230**	1,201
Administration expenses	**790**	727	**694**	614
	5,672	5,684	**4,664**	4,651

6. Investment Property

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**45,189**	45,189	**32,926**	32,926
Additions	**556**	–	**556**	–
Fair value adjustments (note 24)	**(8,000)**	–	**(8,000)**	–
Transfer to non-current assets held for sale (note 24)	**(32,294)**	–	**(20,031)**	–
Transfer to property, plant and equipment (note 5)	**(5,451)**	–	**(5,451)**	–
Closing net book amount	**–**	45,189	**–**	32,926
At 31 January				
Cost	**–**	40,964	**–**	32,688
Net fair value gains	**–**	4,225	**–**	238
Net book amount	**–**	45,189	**–**	32,926

As at 1 February 2013, the cost and fair value gains attributable to the group's investment property amounted to €40,964,000 and €4,225,000 respectively.

Investment property is valued annually and approved by the directors on the basis of a professional valuation prepared by independent property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Fair values are determined on the basis of open market value taking cognisance of the specific location of the properties, their size and development potential and the availability of similar properties in the area and, whenever possible, having regard to recent market transactions for similar properties in the same location.

During the financial year ended 31 January 2015, the group decided to spin off its non-core operational property interests and to develop further its masterplan for the Farsons Business Park. Consequently, the fair value of related asset was re-measured resulting in a fair value downward movement of €8,000,000 and the group's investment property has been substantially transferred to assets held for sale (note 24).

Investment property included above, comprising property leased out under operating leases, has a carrying amount of €Nil (2014: €1,094,000). Bank borrowings are secured by the group's and company's investment property (note 20). Investment property comprises a number of commercial properties that are leased to third parties and land held for capital appreciation. The following amounts have been recognised in the income statements:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Rental income	**290**	276	**–**	–
Direct operating expenses	**(185)**	(180)	**–**	–

If the investment property were stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
At 31 January				
Cost	**–**	12,041	**–**	4,456
Accumulated depreciation	**–**	(324)	**–**	–
Net book amount	**–**	11,717	**–**	4,456

7. Intangible Assets

	Goodwill	Franchise & agency rights	Total
	€'000	€'000	€'000
GROUP			
At 1 February 2013			
Cost	1,058	4,698	5,756
Accumulated amortisation and impairment	(128)	(4,524)	(4,652)
Net book amount	930	174	1,104
Year ended 31 January 2014			
Opening net book amount	930	174	1,104
Amortisation	–	(26)	(26)
Closing net book amount	930	148	1,078
At 31 January 2014			
Cost	1,058	4,698	5,756
Accumulated amortisation and impairment	(128)	(4,550)	(4,678)
Net book amount	930	148	1,078
Year ended 31 January 2015			
Opening net book amount	930	148	1,078
Additions	–	44	44
Amortisation	–	(28)	(28)
Impairment charge	(376)	–	(376)
Closing net book amount	**554**	**164**	**718**
At 31 January 2015			
Cost	1,058	4,742	5,800
Accumulated amortisation and impairment	(504)	(4,578)	(5,082)
Net book amount	554	164	718

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.

The carrying amount of food importation business of the group within the importation wholesale and retail of food and beverages segment, has been reduced to its recoverable amount through the recognition of an impairment charge against goodwill amounting to €376,000. This loss has been disclosed within the other operating expenses in the income statement.

If the expected cash flow growth rates for the first six-year period used in the value-in-use calculation had been 0.5% lower than management's estimates, the group would have recognised a further impairment of goodwill of €270,000.

Amortisation of €28,000 (2014: €26,000) 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:

	2015	2014
	€'000	€'000
Brewing, production and sale of branded beers & beverages	**192**	192
Importation, wholesale and retail of food & beverages	**362**	738
Net book amount	**554**	930

The recoverable amount of a cash-generating unit is determined based on value in use calculations, and is assessed annually. These calculations use cash flow projections based on financial information prepared by management covering up to a fifteen year period using the estimated growth rate of 2.5%. Cash flows beyond the six-year period are extrapolated using an estimated growth rate of 2% per annum. These estimates principally assume net margins of 28% and are principally discounted using a rate of 7.07%.

Management estimates net margins based on past performance and its expectations for market development. The discount rates are post-tax and reflect specific risks to the relevant segments.

8. Investments in Subsidiaries

	Company	
	2015	2014
	€'000	€'000
Year ended 31 January		
Opening and closing net book amount	**13,706**	13,706
At 31 January		
Cost	**17,787**	17,787
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**13,706**	13,706

The principal subsidiaries at 31 January 2015 all of which are unlisted, are disclosed in note 39 to these financial statements.

9. Investments in Jointly-Controlled entities

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**12**	12	**2**	2
Transfer to non-current assets held for sale (note 24)	**(12)**	–	**(2)**	–
Closing net book amount	**–**	12	**–**	2
At 31 January				
Cost	**–**	102	**–**	102
Share of jointly-controlled entities' results and reserves	**–**	(90)	**–**	–
Impairment provision for investments	**–**	–	**–**	(100)
Net book amount	**–**	12	**–**	2

The principal jointly-controlled entities at 31 January 2015 all of which are unlisted, are disclosed in note 39 to these financial statements.

The principal investment in jointly-controlled entities related to property management and is consequently classified within the group's non-current assets held for sale (note 24).

Summarised financial information of the principal jointly-controlled entities as at 31 January is as follows:

	Assets	Liabilities	Losses
	€'000	€'000	€'000
At 31 January 2014	1,078	993	(152)

10. Loans and Receivables

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**104**	174	**–**	–
Repayments	**(48)**	(70)	**–**	–
Transfer to non-current assets held for sale (note 24)	**(56)**	–	**–**	–
Closing net book amount	**–**	104	**–**	–
At 31 January				
Cost and net book amount	**–**	104	**–**	–

Loans and receivables relate to dues from third parties on termination of long-term rental agreements. As at 31 January 2014, the weighted average effective interest rate for the group at the end of the reporting period was 7%. Maturity of loans and receivables as at the end of the reporting period was:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Current				
Within one year	**–**	104	**–**	–

The group's exposure to credit and liquidity rate risks related to these loans and receivables is disclosed in note 2. As at 31 January 2014, these financial assets were fully performing and hence do not contain impaired assets.

11. Inventories

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**2,506**	2,882	**2,187**	2,601
Finished goods and goods for resale	**5,764**	5,307	**2,573**	2,039
Containers and other stocks	**1,994**	2,248	**1,899**	2,113
	10,264	10,437	**6,659**	6,753

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Cost of sales	**654**	753	**478**	621
Selling, distribution and administrative expenses	**162**	164	**162**	164
	816	917	**640**	785

12. Trade and other receivables

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**1,392**	1,727	**1,392**	1,727
Current				
Trade receivables	**11,515**	12,061	**6,343**	6,588
Amounts due from subsidiaries	**-**	-	**5,578**	4,315
Amounts due from jointly-controlled entities	**-**	496	**-**	496
Indirect taxation	**69**	52	**-**	-
Other receivables	**4,003**	3,356	**3,311**	2,843
Prepayments and accrued income	**1,044**	934	**498**	1,391
	16,631	16,899	**15,730**	15,633
Total trade and other receivables	**18,023**	18,626	**17,122**	17,360

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**4,159**	3,667	**2,748**	2,323

The impairment provision for trade and other receivables is disclosed in note 25 and is included under selling and distribution costs in the income statements.

Amounts due to the company by subsidiaries and jointly-controlled entities are unsecured and repayable on demand. Included in these balances are year-end amounts of €2,995,000 (2014: €3,143,000) which are subject to an average interest rate of 4.75% (2014: 4.75%). Other balances within amounts due from subsidiaries and jointly-controlled entities 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.

13. 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	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**4,505**	1,163	**2,870**	634
Bank overdrafts	**(57)**	(1,129)	**(7)**	(15)
	4,448	34	**2,863**	619

14. Share capital

	Company	
	2015	2014
	€'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
	9,000	9,000

15. Dividends paid

	Company	
	2015	2014
	€'000	€'000
Interim dividend	**1,000**	1,000
Final dividend	**1,500**	2,100
Total net dividend	**2,500**	3,100
Euro per share (net)	**€0.08**	€0.10

The final dividend of €1,500,000 in respect of the year ended 31 January 2014 was announced to the ordinary shareholders on 18 June 2014. These final dividends were paid out of tax exempt profits.

A net interim dividend of €1,000,000 in respect of the year ended 31 January 2015 was announced on 24 September 2014, and paid to the ordinary shareholders on 17 October 2014. At the forthcoming Annual General Meeting, a final net dividend of €2,000,000 in respect of the financial year ended 31 January 2015 is to be proposed.

These financial statements do not reflect the final dividend for 2015 of €2,000,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2016.

16. Revaluation reserve

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Non-current assets				
At beginning of year, before deferred tax	**54,009**	54,009	**46,677**	46,677
Fair value movements	**(8,000)**	–	**(8,000)**	–
	46,009	54,009	**38,677**	46,677
Deferred taxation (note 21)	**(8,351)**	(11,151)	**(4,822)**	(5,782)
At 31 January	**37,658**	42,858	**33,855**	40,895

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

17. Other reserves

	Share premium	Unrealised fair value gains reserve	Incentives and benefits reserve	Capital redemption reserve	Total
	€'000	€'000	€'000	€'000	€'000
GROUP					
At 1 February 2014 and 1 February 2015	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
COMPANY					
At 1 February 2014 and 1 February 2015	**2,078**	**210**	**2,515**	**7,463**	**12,266**

The unrealised fair value gains reserve represents changes in fair value of investment property, net of deferred tax movements, which are unrealised at financial reporting dates. These amounts are transferred from retained earnings to this reserve since these gains are not considered by the directors to be available for distribution. Upon disposal of the respective investment property, realised fair value gains are transferred to retained earnings. The unrealised gain reserve is a non-distributable reserve.

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.

18. 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
GROUP AND COMPANY	€'000	€'000	€'000
At 31 January 2013			
Gross amounts of losses	159	497	656
Deferred taxes (note 21)	(56)	(174)	(230)
	103	323	426
Movement for the year ended 31 January 2014			
(Gain)/losses from changes in fair value	(114)	126	12
Deferred taxes (note 21)	40	(44)	(4)
	(74)	82	8
Transferred to statement of comprehensive			
Income (note 29)	(25)	(179)	(204)
Deferred taxes (note 21)	9	63	72
	(16)	(116)	(132)
At 31 January 2014			
Gross amounts of losses	20	444	464
Deferred taxes (note 21)	(7)	(155)	(162)
	13	289	302
Movement for the year ended 31 January 2015			
(Gains)/losses from changes in fair value	(20)	1,016	996
Deferred taxes (note 21)	7	(356)	(349)
	(13)	660	647
Transferred to statement of comprehensive			
income (note 29)	–	(153)	(153)
Deferred taxes (note 21)	–	54	54
	–	(99)	(99)
At 31 January 2015			
Gross amounts of losses	–	1,307	1,307
Deferred taxes (note 21)	–	(457)	(457)
	–	**850**	**850**

The net fair value losses recognised in equity at 31 January 2015 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.

19. 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
FAIR VALUES LIABILITIES	**€'000**
At 31 January 2014	
Interest rate derivative	
– interest-rate swap	444
Foreign exchange derivatives	
– currency forwards	15
– combined bought call and written put options	5
Total recognised derivative liabilities	464
At 31 January 2015	
Interest rate derivative	
– interest-rate swap	1,307
Total recognised derivative liabilities	**1,307**

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

	2015	2014
DERIVATIVES FINANCIAL LIABILITIES	**€'000**	€'000
Non-current	**1,007**	308
Current	**300**	156
	1,307	464

(a) Interest rate derivatives

During the financial year ended 31 January 2015, the company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €12.4 million matching the principal amount of this specific loan. As at year end the company did not utilise this loan and the swap contracted draw down was €1.25 million. Under the interest rate swap arrangement, the company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 1.82% with variable interest amounts receivable based on the 3 month floating Euribor rate. The derivative expires in 2024, thus matching with the terms of loan.

During the financial year ended 31 January 2011, the company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €10 million matching the principal amount of this specific loan. 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 18) on the interest rate swap contracts as of 31 January 2015 will be released to the income statements over the period until maturity of the contracts.

The swaps have been designated as cash flow hedges for the interest rate risk relating to variable interest outflows on the borrowings.

The terms of the interest rate swap agreements provide a continuation of the cash flow hedging relationship in respect of variability of future floating interest payments. Accordingly, these instruments have been treated as cash flow hedge instruments in terms of the hedge accounting rules as prescribed by IAS 39.

(b) Foreign exchange derivatives

Currency forwards

The currency forward contracts outstanding as at 31 January 2014 had a notional value of USD2,092,000 with an average contracted rate of €1:USD1.3524. The related fair value of outstanding forward contracts as at 31 January 2014 amounted to a net liability of €15,000.

This contract matured within six months from the end of the reporting period and within the same period of time the forecast transactions designated as items being hedged by this contract were expected to affect the income statements.

Combined bought call and written put options

The terms and approximate notional amounts of the foreign exchange combined options held for hedging purposes outstanding at 31 January 2014 are as follows:

Contract cover	Notional amount	Strike price range	Fair value liabilities
		Call – Put	€'000
Period to 31 December 2014	USD775,000	$1.32 – $1.43	(5)

These hedging derivative contracts would typically have monthly exercise or settlement dates and upon monthly net cash settlements, amounts recognised in equity in respect of these contracts would be released to the income statements as the forecast hedged transactions would simultaneously affect the results of the group.

20. Borrowings

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Non-current				
6.0% Bonds 2017-2020	**14,796**	14,760	**14,796**	14,760
Bank loans	**7,687**	9,438	**7,687**	9,438
	22,483	24,198	**22,483**	24,198
Current				
Bank overdrafts	**57**	1,129	**7**	15
Bank loans	**1,750**	1,750	**1,750**	1,750
	1,807	2,879	**1,757**	1,765
Total borrowings	**24,290**	27,077	**24,240**	25,963

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Face value of bonds				
6.0% Bonds 2017-2020	**15,000**	15,000	**15,000**	15,000
	15,000	15,000	**15,000**	15,000
Issue costs	**384**	384	**384**	384
Accumulated amortisation	**(180)**	(144)	**(180)**	(144)
Net book amount	**204**	240	**204**	240
Amortised cost	**14,796**	14,760	**14,796**	14,760

Following the board decision taken on 1 April 2010, the company issued an aggregate principal amount of €15 million Bonds (2017-2020), having a nominal value of €100 each, bearing interest at the rate of 6.0% per annum. These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 10 May 2010. The quoted market price as at 31 January 2015 for the 6.0% Bonds 2017-2020 was 105.51 (2014: 107.50).

As contemplated in the prospectus dated 10 May 2010, the group's bank issued a bank guarantee for an amount of €1,000,000 (2014: €500,000) in fulfilment of the company's reserve account obligations as per clause 26.9 of the above noted prospectus.

The group's and the company's banking facilities as at 31 January 2015 and 2014 amounted to €51,753,000 and €27,734,000 for the group, and €43,853,000 and €19,403,000 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	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
At floating rates	**5,557**	7,630	**5,507**	6,516
At fixed rates	**18,733**	19,447	**18,733**	19,447
Total borrowings	**24,290**	27,077	**24,240**	25,963

Borrowings at floating rates mainly comprise a loan entered into by the group and the company during the financial year ended 31 January 2008, which interest rate is computed using a margin over the three month Euribor rate. Interest rates on this loan are hedged through an interest rate swap agreement entered into in financial year ended 31 January 2011 (note 19).

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

	Group		Company	
	2015	2014	**2015**	2014
	%	%	**%**	%
Bank overdrafts	**4.67**	4.50	**5.25**	4.60
Bank loans	**3.53**	3.66	**3.54**	3.66
Bonds 2017-2020	**6.00**	6.00	**6.00**	6.00

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.

21. Deferred taxation

The movement in the deferred tax account is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
At beginning of year	**11,116**	11,048	**5,620**	5,552
Credited to income statements (note 30)	**(8,414)**	–	**(6,625)**	–
Net tax effect of re-measurement of derivatives	**(295)**	68	**(295)**	68
At end of year	**2,407**	11,116	**(1,300)**	5,620
Disclosed as follows:				
Continuing operations	**(1,693)**	11,116	**(3,205)**	5,620
Discontinued operations (note 24)	**4,100**	–	**1,905**	–
At end of year	**2,407**	11,116	**(1,300)**	5,620

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% (2014: 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 12% of the transfer value.

The manufacturing arm of the group has been availing itself of investment aid under the various investment tax credit schemes that were applicable until 30 June 2014. In view of the fact that the investment tax credit schemes have become more restrictive in respect of large undertakings, the group has reviewed 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 €5,274,000. 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 €880,000.

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
Liabilities/(assets)	€'000	€'000	€'000	€'000	€'000	€'000	€'000
GROUP							
At 1 February 2013	4,684	(4,054)	277	82	11,151	(1,092)	11,048
Income statements	(325)	380	–	12	–	(67)	–
Equity	–	–	68	–	–	–	68
At 31 January 2014	4,359	(3,674)	345	94	11,151	(1,159)	11,116
At 1 February 2014	4,359	(3,674)	345	94	11,151	(1,159)	11,116
Income statements	(151)	(5,274)	–	–	(2,800)	(189)	(8,414)
Equity	–	–	(295)	–	–	–	(295)
At 31 January 2015	**4,208**	**(8,948)**	**50**	**94**	**8,351**	**(1,348)**	**2,407**
COMPANY							
At 1 February 2013	5,123	(4,054)	(202)	93	5,782	(1,190)	5,552
Income statements	(350)	380	–	–	–	(30)	–
Equity	–	–	68	–	–	–	68
At 31 January 2014	4,773	(3,674)	(134)	93	5,782	(1,220)	5,620
At 1 February 2014	4,773	(3,674)	(134)	93	5,782	(1,220)	5,620
Income statements	(225)	(5,274)	–	–	(960)	(166)	(6,625)
Equity	–	–	(295)	–	–	–	(295)
At 31 January 2015	**4,548**	**(8,948)**	**(429)**	**93**	**4,822**	**(1,386)**	**(1,300)**

Deferred taxation is principally composed of deferred tax assets and liabilities which are to be recovered and settled after more than twelve months.

Changes to the taxation rules on capital gains arising on transfer of immovable property were announced by the Minister for Finance during the Budget Speech for the financial year 2015, and in respect of which a Bill entitled 'An Act to implement Budget measures for the financial year 2015 and other administrative measures' was published in December 2014. With effect from 1 January 2015, the final tax on transfers of immovable property acquired after 1 January 2004 will be reduced to 8% of the transfer value while the rate in respect of transfers of property acquired before 1 January 2004 will be 10%. The announcement of the revised tax regime by the Minister for Finance and the subsequent publication of the Budget Bill in December 2014 do not, as at 31 January 2015, have the substantive effect of actual enactment. Accordingly, tax rates used for the measurement of deferred taxation as at 31 January 2015 are those applicable prior to the measures announced in the Budget Speech for the financial year 2015, which are disclosed above. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of property would be a decrease amounting to €2,847,000 for the group and €803,000 for the company.

At 31 January 2015, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Unutilised investment tax credits	**5,467**	15,469	**5,467**	15,469
Unabsorbed tax losses	**18**	18	**–**	–
Unabsorbed capital allowances	**631**	631	**–**	–
	6,116	16,118	**5,467**	15,469

Whereas tax losses have no expiry date, unabsorbed capital allowances and unutilised investment tax credits are forfeited upon cessation of trade.

22. Other provisions

	Group		Company	
	2015	2014	**2015**	2014
Termination benefit provisions	**€'000**	€'000	**€'000**	€'000
At 1 February	**166**	96	**166**	96
Charged to profit and loss	**113**	139	**113**	139
Utilised during the year	**(178)**	(69)	**(178)**	(69)
At 31 January	**101**	166	**101**	166

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 2015 total €113,000 while for 2014 total €139,000 (note 25). It is anticipated that €47,000 (2014: €118,000) of the provision will be paid during the financial year ending 31 January 2016.

23. Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Non-current				
Capital and other payables	**1,593**	538	**1,593**	538
Current				
Trade payables	**4,451**	3,690	**1,497**	1,589
Capital and other payables	**2,499**	2,818	**2,045**	2,194
Indirect taxes and social security	**1,997**	1,851	**1,469**	1,287
Accruals and deferred income	**6,890**	6,741	**5,252**	4,757
	15,837	15,100	**10,263**	9,827
Total trade and other creditors	**17,430**	15,638	**11,856**	10,365

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 2015, capital and other payables include institutional grants amounting to €1,486,000 (2014: €538,000) 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 €1,323,000 (2014: €538,000). Such funds are treated as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. The impact of these grants on the current year's results are disclosed in note 25.

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

The assets relating to the property management segment have been presented as held for sale following the approval of the group's management in the third quarter of this financial year to re-organise the corporate structure of the Farsons Group, and to 'spin-off' (pro-rata to then existing shareholders) the group's property interests (other than those properties which will continue to be used in the core beverage business) from the other business activities into a separate and distinct public company. This decision follows the 17 September 2014 board decision to approve a concept and design budget for the initial phases of the development relating to a master plan for the Farsons Business Park project. The completion date for this transaction is expected within the next 24 to 36 months. The group believes that this extended period is necessary to satisfy certain conditions required for the completion of this transaction.

Assets of disposal group classified as held for sale

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Property, plant and equipment (note 5)	**23**	–	**–**	–
Investment property (note 6)	**32,294**	–	**20,031**	–
Investments in jointly-controlled entities (note 9)	**12**	–	**2**	–
Loans and receivables (note 10)	**56**	–	**–**	–
Trade and other receivables	**656**	–	**525**	–
Non-current assets held for sale	**33,041**	–	**20,558**	–

Liabilities of disposal group classified as held for sale

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Provisions for other liabilities and charges (note 21)	**4,100**	-	**1,905**	-
Trade and other payables	**590**	-	**-**	-
Current tax liabilities	**203**	-	**-**	-
Liabilities directly attributable to non-current assets held for sale	**4,893**	-	**1,905**	-

In accordance with IFRS 5, the assets and liabilities held for sale were written down to their fair value less costs to sell of €5,200,000 (net of deferred tax). This is a non-recurring fair value which has been measured using unobservable inputs, as disclosed in note 5 under fair value of property, and is therefore within level 3 of the fair value hierarchy.

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Revenue	**297**	292	**–**	–
Cost of sales	**(260)**	(289)	**–**	–
Gross profit	**37**	3	**–**	–
Administrative expenses	**(120)**	(26)	**–**	–
Loss before tax from discontinuing operations	**(83)**	(23)	**–**	–
Tax expense	**(165)**	(164)	**–**	–
Loss after tax from discontinuing operations	**(248)**	(187)	**–**	–
Loss on the re-measurement of assets held for sale	**(8,000)**	–	**(8,000)**	–
Tax income	**2,800**	–	**960**	–
Loss after tax on the re-measurement of assets held for sale	**(5,200)**	–	**(7,040)**	–
Loss for the year from discontinuing operations	**(5,448)**	(187)	**(7,040)**	–

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Operating cash flows	**(114)**	–	**(27)**	–
Investing cash flows	**(578)**	–	**(555)**	–

25. Expenses by nature

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (note 5)	**5,672**	5,629	**4,664**	4,651
Impairment of property, plant and equipment (note 5)	**–**	55	**–**	–
Profit on disposal of property, plant and equipment (note 5)	**(13)**	(35)	**(10)**	(27)
Employee benefit expense (note 26)	**16,062**	15,621	**9,657**	9,408
Termination benefits (note 26)	**113**	139	**113**	139
Raw materials, imported goods and consumables	**36,818**	38,053	**10,684**	11,682
Changes in inventories of finished goods and work in progress (note 11)	**457**	58	**534**	(260)
Increase in impairment provisions for trade and other receivables (note 12)	**492**	125	**425**	23
Impairment of trade receivables	**126**	85	**25**	69
Amortisation of intangible assets (note 7)	**28**	26	**–**	–
Other expenses	**9,760**	10,479	**9,807**	10,779
Total cost of sales, selling and distribution costs and administrative expenses	**69,515**	70,235	**35,899**	36,464

Operating profit is stated after crediting deferred institutional grants amounting to €150,000 (2014: €Nil), which are included in 'Cost of sales'.

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Disclosed as:				
Continuing operations	**69,135**	69,920	**35,899**	36,464
Discontinued operations	**380**	315	**–**	–
	69,515	70,235	**35,899**	36,464

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2015 and 2014 relate to the following:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**118**	110	**51**	47
Other assurance services	**36**	7	**29**	7
Tax advisory and compliance services	**10**	14	**5**	9
Other non-assurance services	**35**	51	**35**	51
	199	182	**120**	114

26. Employee benefit expense

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Wages and salaries	**14,940**	14,533	**10,050**	9,782
Social security costs	**1,075**	1,044	**744**	722
Other pension costs	**47**	44	**47**	44
	16,062	15,621	**10,841**	10,548
Recharged to subsidiaries	**–**	–	**(1,184)**	(1,140)
	16,062	15,621	**9,657**	9,408
Termination benefits	**113**	139	**113**	139
	16,175	15,760	**9,770**	9,547

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Brewing, production and sale of branded beers and beverages	**495**	508	**477**	491
Importation, wholesale and retail of food and beverages, including wines and spirits	**76**	80	**–**	–
Operation of franchised food retailing establishments	**205**	197	**–**	–
	776	785	**477**	491

27. Net Exchange Differences

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**4**	(64)	**(2)**	(61)
Fair value losses on derivative instruments: – Foreign exchange forward contracts	**(9)**	(25)	**(9)**	(25)
	(5)	(89)	**(11)**	(86)

28. Investment Gains

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Interest on loans and receivables	**12**	7	**8**	7
Interest on amounts owed by subsidiaries	**–**	–	**115**	156
	12	7	**123**	163

29. Finance costs

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts	**405**	454	**372**	359
Bonds	**900**	900	**900**	900
Fair value loss on derivative financial instruments	**153**	179	**153**	179
Other finance costs	**14**	16	**33**	29
	1,472	1,549	**1,458**	1,467

During the year ended 31 January 2015, the company was granted net interest subsidy amounting to €65,000 (2014: €137,000) from Malta Enterprise related to approved investment loans of €3.9 million (2014: €9.5 million). A net effective interest rate of 2.5% (2014: 2.70%) was applied, representing the borrowing cost of the loans utilised to finance capital projects. This rate is net of an interest rate subsidy provided by Malta Enterprise.

30. Tax (income)/ expense

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Current tax expense	**557**	527	**-**	-
Deferred tax income (note 21)	**(8,414)**	-	**(6,625)**	-
Tax (income)/expense	**(7,857)**	527	**(6,625)**	-
Disclosed as:				
Continuing operations	**(5,222)**	363	**(5,665)**	-
Discontinued operations (note 24)	**(2,635)**	164	**(960)**	-
	(7,857)	527	**(6,625)**	-

The tax on the group's and company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Profit before tax from continuing operations	**8,235**	6,875	**6,954**	5,479
Loss for the year from the discontinued operations	**(8,083)**	(22)	**(8,000)**	-
Profit/(loss) before tax	**152**	6,853	**(1,046)**	5,479
Tax on profit/(loss) at 35%	**53**	2,399	**(366)**	1,918
Tax effect of:				
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	**1,873**	(1,714)	**1,873**	(1,714)
Unrecognised deferred tax assets	**(10,002)**	(200)	**(10,002)**	(200)
Differences related to termination benefits	**32**	24	**32**	24
Over provision in unrecognised and recognised deferred tax related to prior years	**-**	(7)	**-**	-
Provisions on legislation on immovable property	**-**	-	**1,840**	-
Non allowable expenses and other differences	**187**	25	**(3)**	(28)
Tax (income)/expense	**(7,857)**	527	**(6,626)**	-

31. Directors' emoluments

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**192**	192	**192**	192
Salaries	**44**	40	**44**	40
Other emoluments	**222**	221	**222**	221
Total directors remuneration	**458**	453	**458**	453

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.

32. 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	
	2015	2014
Profit from continuing operations attributable to shareholders (€'000)	**13,457**	6,512
Loss from discontinued operations attributable to shareholders (€'000)	**(5,448)**	(187)
Profit attributable to shareholders (€'000)	**8,009**	6,325
Weighted average number of ordinary shares in issue (thousands)	**30,000**	30,000
Earnings per share on profit for the year	**€0.267**	€0.211

33. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Operating profit from continuing operations	**9,695**	8,417	**8,290**	6,783
Operating loss from discontinued operations	**(83)**	(23)	**–**	–
Operating profit	**9,612**	8,394	**8,290**	6,783
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	**5,672**	5,629	**4,664**	4,651
Impairment of property, plant and equipment (note 5)	**–**	55	**–**	–
Profit on disposal of property, plant and equipment	**(13)**	(35)	**(10)**	(27)
Impairment of intangible assets (note 7)	**376**	–	**–**	–
Amortisation of intangible assets (note 7)	**28**	26	**–**	–
Amortisation of bond issue costs (note 20)	**36**	32	**36**	32
Increase in provision for impairment of trade and other receivables (note 12)	**492**	125	**425**	23
Provision for termination benefits (note 22)	**113**	139	**113**	139
	16,316	14,365	**13,518**	11,601
Changes in working capital:				
Inventories	**173**	653	**94**	1,027
Trade and other receivables	**55**	484	**(160)**	1,091
Trade and other payables	**1,217**	(2,615)	**326**	(1,931)
Cash generated from operations	**17,761**	12,887	**13,778**	11,788

34. Commitments

Capital commitments

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

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**24,213**	5,160	**22,807**	3,493
Contracted but not provided for	**5,586**	850	**5,586**	850
	29,799	6,010	**28,393**	4,343

Operating lease commitments – where a group company is a lessee

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**312**	202	**–**	–
Later than 1 year and not later than 5 years	**1,300**	828	**–**	–
Later than 5 years and not later than 30 years	**1,559**	1,302	**–**	–
	3,171	2,332	**–**	–

Operating lease commitments – where a group company is a lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**345**	303	**–**	–
Later than 1 year and not later than 5 years	**1,379**	1,175	**–**	–
Later than 5 years	**1,114**	1,390	**–**	–
	2,838	2,868	**–**	–

35. Contingent liabilities

At 31 January 2015, the group and the company had contingent liabilities amounting to €2,379,000 (2014: €1,730,000) and €578,000 (2014: €498,000) 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.

At 31 January 2015, guarantees amounting to €6,500,000 (2014: €7,931,000) were given by the company with regards to bank facilities of subsidiaries.

At 31 January 2015, a guarantee amounting to €1,000,000 (2014: €500,000) was issued by the group's bank in fulfilment of the group's reserve account obligations as contemplated in the prospectus dated 10 May 2010.

36. 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	
	2015	2014
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% (2014: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Income from goods and services				
– Sales of goods to subsidiaries	**–**	–	**1,589**	1,285
– Sales of goods to related parties	**30**	25	**2**	–
– Recharge of costs to subsidiaries	**–**	–	**1,219**	1,182
– Recharge of payroll costs to subsidiaries	**–**	–	**1,603**	1,467
– Finance income on loans to subsidiaries	**–**	–	**115**	156
	30	25	**4,528**	4,090
Expenditure for goods and services				
– Purchases of goods from subsidiaries	**–**	–	**768**	538
– Purchases of goods and services from related parties	**735**	544	**555**	530
– Finance costs on loans from subsidiaries	**–**	–	**34**	34
	735	544	**1,357**	1,102

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 31 to the financial statements.

Amounts due from subsidiaries and jointly-controlled entities, in connection with sales and purchases transactions, are disclosed in note 12 to these financial statements.

37. Statutory information

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

38. 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.

39. Subsidiaries and jointly-controlled entities

The principal subsidiaries at 31 January 2015 are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2015**	2014
EcoPure Limited	The Brewery, Mdina Road, Mriehel	Sale and distribution of bottled water	**100**	100
Farsons Distribution Services Limited	The Brewery, Mdina Road, Mriehel	Non-operating	**100**	100
Farsons Beverage Imports Company Limited	The Brewery, Mdina Road, Mriehel	Importation and wholesale of beverages, wines and spirits	**100**	100
Farsons Italia S.r.l. (in liquidation)	Via del Concilio 17, 20045 Lissone, Milan - Italy	Non-operating	**100**	100
Food Chain Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	**100**	100
Galleria Management Limited	The Brewery, Mdina Road, Mriehel	Non-operating	**100**	100
Mensija Catering Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	**100**	100
Portanier Warehouses Limited	The Brewery, Mdina Road, Mriehel	Property leasing	**100**	100
Quintano Foods Limited	303, Qormi Road, Marsa	Importation and wholesale of food products	**100**	100

			Percentage of shares held	
Sliema Fort Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	**100**	100
Trident Developments Limited	The Brewery, Mdina Road, Mriehel	Intermediate investment management and property holding	**100**	100

The principal jointly-controlled entities at 31 January 2015 are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2015**	2014
FSG Company Limited	The Brewery, Mdina Road, Mriehel	Investment holding	**50**	50
Malta Deposit and Return System Limited (in liquidation)	Mizzi House, National Road, Blata l-Bajda	Waste management activities	**56**	56

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the company

	Ordinary shares held as at 31 January 2015	Ordinary shares held as at 29 April 2015
Louis A. Farrugia	22,764	22,764
Vincent Curmi	6,067	6,067
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Marquis Marcus John Scicluna Marshall	5,857	5,857
Marcantonio Stagno d'Alcontres	2,858	2,858

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

Mr Marcantonio Stagno d'Alcontres has a beneficial interest in M.S.M. Investments Limited. Besides having a beneficial interest "in Farrugia Investments Limited, Mr Louis A. Farrugia has a beneficial interest in a further 42916 Ordinary shares registered in the" name of Farrugia Holdings Limited. Marquis Marcus John Scicluna Marshall has a beneficial interest in Sciclunas Estates Limited. Mr Vincent Curmi has a beneficial interest in a further 5250 Ordinary shares registered in the name of the Estate of the late Marchese John Scicluna. There has been no movement in the above stated shareholdings during the period from 31 January 2015 to 29 April 2015.

Shareholders holding 5% or more of the equity share capital as at 29 April 2015

Ordinary shares

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

Shareholding details

As at 29 April 2015, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,809

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 29 April 2015

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	582	134,876	0.45%
501 – 1,000	357	254,671	0.85%
1,001 – 5,000	658	1,490,739	4.97%
More than 5,000	212	28,119,714	93.73%
	1,809	30,000,000	100.00%

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FIVE YEAR SUMMARISED GROUP RESULTS

		2015	2014	2013	2012	2011
		€'000	€'000	€'000	€'000	€'000
Revenue		**79,503**	78,629	77,180	70,851	67,354
Operating costs		**(69,891)**	(70,235)	(69,204)	(64,425)	(61,054)
Operating profit		**9,612**	8,394	7,976	6,426	6,300
Changes in fair value of investment property		**(8,000)**	–	–	–	(661)
Net finance costs		**(1,460)**	(1,542)	(1,495)	(1,346)	(1,588)
Profit/(loss) before taxation arising from:						
– continuing operations		**8,235**	6,852	6,481	5,080	4,051
– discontinued operations		**(8,083)**	–	–	–	–
Tax		**7,857**	(527)	(512)	(358)	(307)
Profit attributable to Ordinary shareholders		**8,009**	6,325	5,969	4,722	3,744
Net dividends paid on Ordinary shares		**2,500**	3,100	2,100	2,000	1,900
Shareholders' funds		**100,235**	95,274	91,925	88,186	85,760
Borrowings		**24,290**	27,077	29,703	32,988	31,848
Total capital employed		**124,525**	122,351	121,628	121,174	117,608
Fixed Assets		**82,581**	119,854	120,271	117,556	113,414
Non-current Assets		**1,392**	1,739	2,270	2,108	3,337
Current assets		**31,744**	28,942	28,990	28,209	28,221
Assets held for sale		**33,041**	–	–	–	–
Liabilities (excluding borrowings)		**(24,233)**	(28,184)	(29,903)	(26,699)	(27,364)
Total assets less liabilities		**124,525**	122,351	121,628	121,174	117,608
Shares in issue during the financial year:						
- Ordinary shares	*'000*	**30,000**	30,000	30,000	30,000	30,000
Number of Ordinary shareholders		**1,809**	1,796	1,790	1,781	1,773
Earnings per Ordinary share (reference note 31)		**€0.267**	€0.211	€0.199	€0.157	€0.125
Return on average capital employed	*percentage*	**7.8**	6.9	6.6	5.4	5.3
Dividend cover	*times*	**3.20**	2.04	2.84	2.36	1.97
Dividends per Ordinary share (net of tax)		**€0.083**	€0.103	€0.070	€0.067	€0.063
Net asset value per Ordinary share		**€3.34**	€3.18	€3.06	€2.94	€2.86
Gearing	*percentage*	**16.48**	21.38	24.09	26.88	26.58

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

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

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

Earnings per Ordinary share, dividends per Ordinary share and **net asset value per Ordinary share** have been restated in 2009 to reflect the increase in the number of shares brought about through a bonus issue made in 2010.

Simonds Farsons Cisk plc

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FARSONS GROUP

Farsons

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