FARSONS GROUP
Farsons

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COMPANY ANNOUNCEMENT

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

Quote

The Board of Directors of Simonds Farsons Cisk plc (the "Company") has on Wednesday, 15th May 2019 met and approved for publication the financial statements of the Company for the year ended 31st January 2019, and resolved to propose the same for the approval of the shareholders at the forthcoming Annual General Meeting of the Company to be held on 24th June 2019.

The Board of Directors has also authorised for publication the Annual Report and Financial Statements for the financial year ended 31st January 2019, which is attached herewith and is available to the public on http://www.farsons.com/en/financial-statements.

In terms of listing rule 5.16.24, the Directors report that during the year under review, the Group's profit before tax exceeded the projections for Financial Year 2019 in the Financial Analysis Summary dated 16th July 2018 (the "**FAS**") by 11%. This variance was principally due to a lower depreciation charge resulting from timing differences on capital expenditure together with a favourable movement in the loss allowance recognised in the income statement with respect to Group's Trade and Other Receivables.

The Board of Directors of Simonds Farsons Cisk plc has resolved to recommend for the approval of the Annual General Meeting the distribution, out of tax exempt profits, of a final net dividend of €3,000,000 that is €0.10 per ordinary share of €0.30, to be paid on 25th June 2019.

An interim net dividend of €1,000,000, that is €0.0333 per ordinary share was approved at the Board Meeting held on 19th September 2018 and distributed to shareholders on 10th October 2018. Therefore, the total net dividend settled in cash to the ordinary shareholders relating to the financial year ended 31st January 2019 amounts to €4,000,000, (2018 - €3,600,000) that is €0.1333 (2018 – €0.12) per ordinary share.

The Board of Directors has established 25th May 2019 as the Effective Date on which all shareholders, then on the register of members, shall be entitled to receive notice of and attend the Annual General Meeting, be paid dividends declared by the General Meeting and appoint directors or vote at the election of Directors.

Unquote

Caruana

Antoinette Caruana
Company Secretary

15th May 2019

SIMONDS FARSONS CISK plc

Annual Report and Consolidated Financial Statements

31 January 2019

Company Registration Number: C113

Directors' report

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

Principal activities

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

Review of the business

Trading performance

The Board of Directors is pleased to announce the Farsons Group's financial results for the year ended 31 January 2019.

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

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

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

Influencing factors and segmental performance

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

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

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

Directors' report - continued

Review of the business - continued

Influencing factors and segmental performance *- continued*

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

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

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

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

Investments

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

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

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

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

Directors' report - continued

Review of the business - continued

Outlook for financial year ending 31 January 2020

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

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

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

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

The Group is cautiously optimistic of its ability to continue to deliver growth in its turnover and profitability in a growing local economy. Changing trends in tourism and visitor spend patterns will require careful monitoring. The investments made by the Group over the past years have significantly contributed to the improved performance. Continuous growth is also dependent on favorable economic conditions leading to increased consumer demand, equitable market conditions and a level playing field for all operators in the sector.

Legislative changes implementing the Beverage Container Refund Scheme necessitate that the Group retains its competitive edge by focusing on product development, ensuring high levels of efficiency while also enhancing its export drive in order to further sustain the positive trend in profit growth reported over the past years.

Financial risk management

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

Dividends and reserves

The income statements are set out on page 39.

Directors' report - continued

Dividends and reserves - continued

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

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

Retained profits carried forward at the reporting date amounted to €50,249,000 (2018: €38,718,000) for the Group and €50,712,000 (2018: €41,347,000) for the Company.

Directors

The Directors who held office during the year were:

Mr Louis A. Farrugia F.C.A. - Chairman
Mr Marcantonio Stagno d'Alcontres - Vice-Chairman
Baroness Christiane Ramsay Pergola
Marquis Marcus John Scicluna Marshall
Dr Max Ganado LL.D.
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 and Dr Max Ganado whose terms of appointment expire, retire from the Board and are eligible for re-election.

Statement of directors' responsibilities for the financial statements

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

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

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

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and is available on the parent company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the parent company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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

- the financial statements give a true and fair view of the financial position of the Group and the parent company as at 31 January 2019, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- the annual report includes a fair review of the development and performance of the business and the position of the Group and the parent company, together with a description of the principal risks and uncertainties that the Group and the parent company face.

Going concern basis

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

Shareholder register information pursuant to Listing Rule 5.64

Share capital information of the Company is disclosed in note 11 of the financial statements on page 89.

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.

Directors' report - continued

Shareholder register information pursuant to Listing Rule 5.64 - continued

The powers and duties of Directors are outlined in Articles 84 to 91 of the Company's Articles of Association. In terms of Article 12 of the said Articles of Association, the Company may, subject to the provisions of the Maltese Companies Act, 1995 acquire or hold any of its shares.

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

It is hereby declared that, as at 31 January 2019, the Company is not party to any significant agreement pursuant to Listing Rules 5.64.10.

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

Auditors

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

By Order of the Board

Louis Farrugia

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

Registered address:

The Brewery
Mdina Road
Mriehel
BKR 3000
Malta

Telephone (+356) 2381 4172

Antoinette Caruana
Company Secretary

15 May 2019

Statement by the directors on non-financial information

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

Our Business Model

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

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

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

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

The Group generated a turnover of €99.8million during the year under review and had 853 (full time equivalent) employees on its books for the year ended 31 January 2019.

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

Our Commitment to the Environment

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

Statement by the directors on non-financial information - continued

Our Commitment to the Environment - continued

Policies and risks

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

Water

It is our policy to use water efficiently throughout our operations in the knowledge that water is a very precious resource, particularly in Malta. Recent capital investments made in our brewing and bottling operations have resulted in a significant reduction of water usage, both through plant efficiency and the capture and recycling of water.

Almost all the water used in our products and production cycle is acquired either from the Water Services Corporation or through our own water capture and storage facilities. Minimal use is made of bore-hole water (which supply is both licensed and metered) and this has decreased during the year ended 31 January 2019. Water used in our products goes through extensive filtering, purification and treatment processes in order to meet our own high water quality standards.

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

Energy and greenhouse gas emissions

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

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

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

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

Statement by the directors on non-financial information - continued

Our Commitment to the Environment - continued

Packaging waste

Farsons continues to apply a responsible approach to a sustainable and circular economy – reuse, recycle, recover – and this approach extends to the packaging waste that we place on the market, where we have met our declared objective of recovering the majority of the equivalent packaging waste tonnage. Furthermore, notwithstanding increased consumer preference and demand for one-way cans and plastic (PET) bottles (which are catered for through our active participation in waste management schemes), Farsons continues to maintain high levels of production of returnable and reusable glass bottles and kegs. The Group supports the environmental objectives of the Beverage Container Refund Scheme which is due to be introduced over the next year. It is actively engaged in discussions with other stakeholders with a view to the Scheme's implementation and successful achievement of the environmental objectives which will be set in this regard.

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

Our Commitment to our People

Policies and risks

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

Training and education

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

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

Statement by the directors on non-financial information - continued

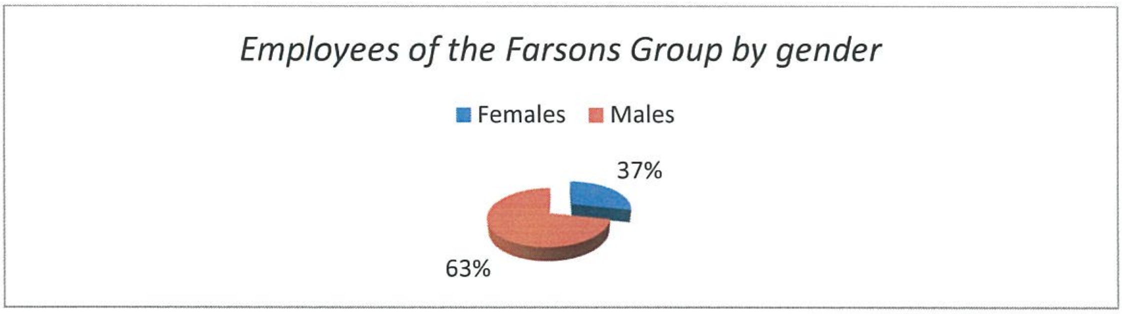
Our Commitment to our People - continued

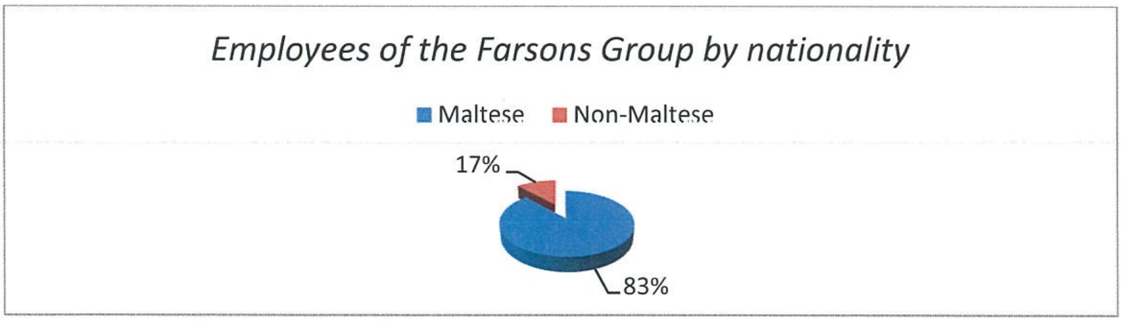
Evaluation and appraisal

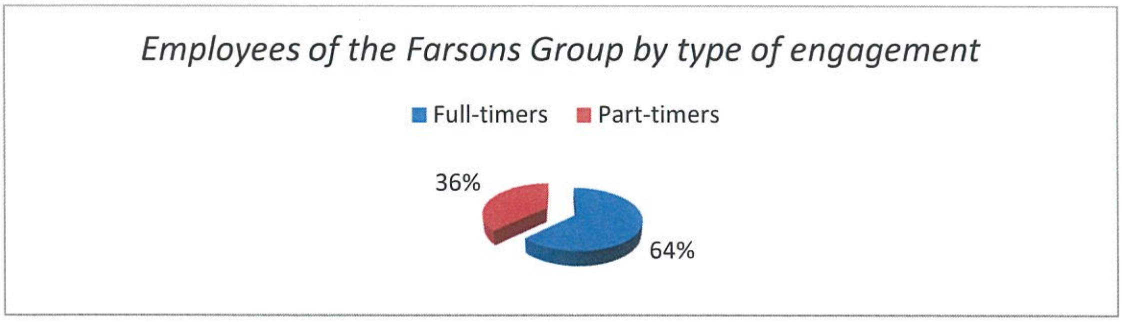
The total cohort of employees at Farsons Group are included in the Performance Management Programme and involved in a regular appraisal programme. Each employee, regardless of gender or employee category, is included whereby a regular review is held with assigned reviewers to discuss set objectives, the employee's competences and skills, learning and development needs within a career development framework. Employees and reviewers are involved in regular discussions and evaluation of the above aspects of the programme. Training sessions are also held for reviewers to enable them to develop the right skills and competences to drive the performance review of their team members. The performance management programme ensures that employees are engaged in achieving company targets and operational excellence.

Diversity, inclusion and equality

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



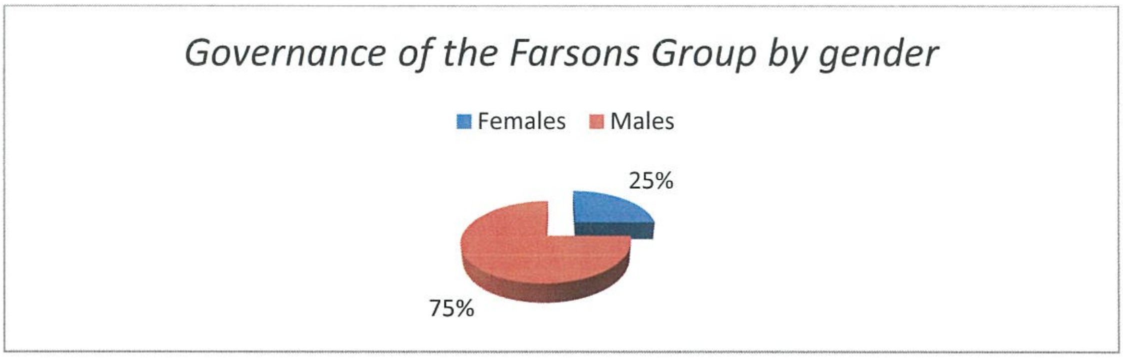




Statement by the directors on non-financial information - continued

Our Commitment to our People – continued

Diversity, inclusion and equality – continued



Workplace safety

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

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

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

Our Commitment to wider Society

Reducing sugar consumption

It is our commitment to contribute to the European goal of reducing sugar consumption by 10% by 2020. Our progress on reducing added sugars is ongoing, with efforts under way to reformulate many of our existing carbonated soft drinks and introducing new products with no or reduced sugar content. We are also introducing wider choices by adding smaller pack sizes to our range of products. As at 31 January 2019, we are well on track to meet our 2020 commitment. We believe that the ready availability of moderation and portion control options together with the promotion of drinks with reduced or no sugar will allow us to make a meaningful contribution towards reaching our goal.

Statement by the directors on non-financial information - continued

Our Commitment to wider Society - continued

Responsible drinking

At the Farsons Group we take pride in our beers and we want people all over the world to enjoy our beers and alcoholic beverages. However, for us it is important that these are enjoyed responsibly. Our long held commitment to a better society seeks to support consumers by promoting moderate consumption, campaigning to prevent drink driving and marketing our products in a responsible manner. We do this by partnering with external organisations within The Sense Group of which we are founding members. The central message of the 2018 campaign 'Take Control!' was focused on the promotion of responsible drinking. Responsibility messages were carried with all our digital and TV commercials and with the more important print communication.

Product safety

Our product safety performance and standards are non-negotiable. All our products are scientifically tested by qualified personnel in a fully equipped laboratory. Our attitude to standards is uncompromising and in keeping with upholding our promise of producing and delivering quality products to our consumers.

Community engagement

The Farsons Group is active in local community engagement through a myriad of initiatives. We lend our support to the Malta Community Chest Fund and its *L-istrina* appeal as we did with other NGOs of a national stature such as Caritas, Fondazzjoni Patrimonju Malti and St Paul's Pro- Cathedral. Staff from the Group volunteer a day's work on 19 March each year in aid of charities to mark Corporate Social Responsibility (CSR) Day. Over the past year, KFC extended its efforts in the Global Food Donation Program 'Harvest' through which it donated surplus food product to deserving charities in a bid to tackle issues of food waste and hunger.

The Farsons Foundation

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

Statement by the directors on non-financial information - continued

Respect for human rights, anti-corruption and bribery matters

Policies and risks

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

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

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

Anti-corruption and bribery

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

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

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

Statement by the directors on non-financial information - continued

Conclusion

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

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

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

Corporate governance statement

A. Introduction

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

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

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

B. Compliance with the Code

Principle 1: The Board

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

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

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

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

Corporate governance statement - continued

B. Compliance with the Code - continued

Principle 2: Chairman and Chief Executive

The statute of SFC provides for the board to appoint from amongst its Directors a Chairman and a Vice-Chairman.

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

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

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

All members of the SMB itself are senior SFC executives with experience of the Group's business and proven professional ability, and each has a particular sphere of interest within his competence.

The Company's current organisational structure provides for the Group Chief Executive to chair the SMB.

The Group Chief Executive reports regularly to the Board on the business and affairs of the Group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the Board are timely, give a true and correct picture of the issue or issues under consideration, and are of high professional standards as may be required by the subject matter concerned.

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

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

Corporate governance statement - continued

B. Compliance with the Code - continued

Principle 3: Composition of the Board

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

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

Executive Directors
Mr Louis A. Farrugia F.C.A. - *Chairman*
Mr Michael Farrugia M.A. (Edin.) – *Director (Operations & Business Development)*

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

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

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

All Directors, other than the Chairman and Mr Michael Farrugia, are considered independent in that they do not hold any relationship with the company, a controlling shareholder or their management which creates a conflict of interest such as to jeopardise exercise of their free judgement.

The Board has taken the view that the length of service on the Board and the close family ties between Board members who undertake an executive or senior management role in the Company do not undermine any of the Directors' ability to consider appropriately the issues which are brought before the Board. Apart from possessing valuable experience and wide knowledge of the Company and its operations, the Board feels that the Directors in question are able to exercise independent judgement and are free from any relationship which can hinder their objectivity. Although, the Board believes that by definition, employment with the Company renders a Director non-independent from the institution, this should not however, in any manner, detract from the non-independent Directors' ability to maintain independence of analysis, decision and action.

Corporate governance statement - continued

B. Compliance with the Code - continued

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

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

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

*of which 1 meeting was attended by an alternate Director

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

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

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

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

Corporate governance statement - continued

B. Compliance with the Code - continued

Principles 4 and 5: The Responsibilities of the Board and Board Meetings - continued

Board Committees

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

Corporate Governance Committee is presided over by the Non-Executive Vice-Chairman. Its terms of reference are to monitor, review and ensure the best corporate practices and report thereon to the Board. Directors and senior officers who want to deal in the Company's listed securities, are obliged to give advance notice to the Board through the Chairman (or in his absence to the secretary of the Board) and records are kept accordingly.

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

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

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

The Audit Committee is composed of the following Non-Executive Directors:

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

The majority of the Directors on the Audit Committee are independent, Non-Executive Directors and, in the opinion of the Board, are free from any significant business, family or other relationship with the Company, its shareholders or its management that would create a conflict of interest such as to impair their judgement. Roderick Chalmers is a professional qualified accountant with competence in matters relating to accounting and auditing. The Audit Committee as a whole has extensive experience in matters relating to the Company's area of operations, and therefore has the relevant competence required under Listing Rule 5.118.

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

During the year ended 31 January 2019, the Audit Committee held six meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the Group internal auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

Corporate governance statement - continued

B. Compliance with the Code - continued

Principles 4 and 5: The Responsibilities of the Board and Board Meetings - continued

Board Committees - continued

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

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

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

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

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

The Board Performance Evaluation Committee and the Nomination Committee are dealt with under Principle 7 and Principle 8 respectively whilst the Remuneration Committee is dealt with under the Remuneration report, which also includes the Remuneration statement in terms of Code Provisions 8.A.3 and 8.A.4.

Principle 6: Information and Professional Development

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

Training (both internal and external) of management and employees is a priority, coordinated through the Company's Human Resources Department.

On joining the Board, a Director is provided with briefings by the Chairman and the Group Chief Executive on the activities of the Company's business areas. Furthermore, all new Directors are offered a tailored induction programme.

Directors may, where they judge it necessary to discharge their duties as Directors, take independent professional advice on any matter at the Company's expense.

Corporate governance statement - continued

B. Compliance with the Code - continued

Principle 6: Information and Professional Development - continued

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required.

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to Board procedures, as well as good information flows within the Board and its Committees.

The Chairman ensures that Board members continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees. The Company provides the necessary resources for developing and updating its Directors' knowledge and capabilities.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters.

Principle 7: Evaluation of the Board's Performance

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

The evaluation exercise is conducted every two years through a Board Effectiveness Questionnaire prepared by the Company Secretary in liaison with the Chairman of the Committee. The Company Secretary discusses the results with the Chairman of the Committee who then presents the same to the Board together with initiatives undertaken to improve the Board's performance. During the intermediate year, the Chairman undertakes to assess whether shortcomings identified during the Board performance evaluation process have been addressed and reported accordingly to the Board. The latest review has not resulted in any material changes in the Company's internal organisation or in its governance structures. The Non-Executive Directors are responsible for the evaluation of the Chairman of the Board.

Principle 8: Committees

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

The Nomination Committee, chaired by the Chairman is entrusted with leading the process for board appointments and to make recommendations to it. Any proposal for the appointment of a Director whether by the three major shareholders or by the general meeting of shareholders should be accompanied by a recommendation from the Board, based on the advice of the Nomination Committee.

Every shareholder owning twelve and a half percent (12.5%) of the ordinary issued share capital or more, is entitled to appoint and replace a Director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of Directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 108), normally each appoint two Directors for a total of six, the remaining two Directors then being elected by the general public shareholders. Accordingly, no individual or small group of individuals will be in a position to dominate the Board. The interests of the Directors in the shares of the Company are disclosed in this Annual Report.

Corporate governance statement - continued

B. Compliance with the Code - continued

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate governance statement - continued

B. Compliance with the Code - continued

Principle 11: Conflicts of Interest

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

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

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

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

The Directors' interests in the share capital of the Company as at 31 January 2019 and as at 15 May 2019 are disclosed in the Shareholder Information.

Principle 12: Corporate Social Responsibility

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

- Encouraging moderate drinking and responsible alcohol consumption;
- Commitment to reduce added sugars in its products by 10% by 2020;
- Corporate Social Responsibility (CSR) Day initiative - Together with other sponsoring companies employees volunteer to carry out turnkey projects involving one day's work during a public holiday;
- Sponsorships of major charitable events on a national level;
- Promoting the industrial heritage of the Maltese Islands;
- Co-operating with the University of Malta particularly in the areas of engineering, the built environment and history;
- Participation in recognised national student-exchange programmes for the benefit of local and foreign students;
- Assisting with environmental projects;
- Waste and energy conservation initiatives and policies;
- Liaising with NGOs and the provision of employment opportunity for groups of people with a disability on a yearly basis;
- Assisting employees encountering medical problems with obtaining overseas medical treatment;
- Supporting employees with a home loan interest subsidy scheme;
- Employee Assistance Programmes for employees needing support, rehabilitation, counselling and advice;

Corporate governance statement - continued

B. Compliance with the Code - continued

Principle 12: Corporate Social Responsibility - continued

- The Farsons Foundation promotes and supports local initiatives and considers requests from a social, cultural and historical perspective at no commercial gain for the Company. The Foundation is entirely funded by subventions authorised by the SFC Board. The aims of the Foundation are to:
    - promote and assist the development and public manifestation of Maltese culture especially in the fields of art, music, literature and drama;
    - contribute research projects and assist in the publication of studies undertaken by any duly qualified person or persons, regarding Maltese disciplines relating to art, music and drama;
    - provide assistance to talented Maltese to enable them to obtain higher professional standard than those that can be obtained locally in disciplines relating to art, music and drama;
    - contribute by means of financial assistance towards the work of any private, voluntary and non-profit organisation or religious body engaged principally in fostering social solidarity.

C. Non-compliance with the Code

Principle 4 (Code Provision 4.2.7):

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

In the context of the appointment of directors being a matter reserved exclusively to SFC's shareholders (except where the need arises to fill a casual vacancy) as explained under Principle 3 in Section B, and on the basis of the Directors non-executive role, the Company does not consider it feasible to have in place such a succession policy. However, the recommendation to have in place such a policy will be kept under review. An active succession policy is however in place for senior executive positions in the Company including that of the Group Chief Executive.

Principle 8 (Code Provision 8.A.1):

Code Provision 8.A.1 recommends "The Board of Directors should establish a Remuneration Committee composed of non-executive Directors with no personal financial interest other than as shareholders in the company, one of whom shall be independent and shall chair the Committee." The company discloses that the Remuneration Committee as it was previously appointed, was chaired by the Chairman. The non-compliance subsisted up to 01 May 2019 when the Chairman relinquished his role on the Committee and the Vice-Chairman was entrusted to lead the Remuneration Committee.

Corporate governance statement - continued

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.

Corporate governance statement - continued

E. General meetings - continued

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

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

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

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

Remuneration report

1. Terms of Reference and Membership

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

2. Meetings

The Remuneration Committee met twice during the financial year ended 31 January 2019.

3. Remuneration Statement

3.1 Senior Executives

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

The Group's human resources department is responsible (apart from normal staff administration and training and upgrading of proficiency of technical and managerial personnel and workforce in general), to carry out regular reviews of the compensation structure pertaining to senior management in the light of the Group's performance, economic situation and market trends. One of the main objectives is to recruit and retain executives of high professional standards and competence who can enhance the Group's performance and assure the best operational and administrative practices.

The Group's human resources manager reports and makes recommendations periodically to the Board on the remuneration package, including bonus arrangements for achieving pre-determined targets.

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

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

The terms and conditions of employment of senior executives are set out in their respective contracts of employment with the Company. As a general rule, such contracts, with the exception of that pertaining to the Group Chief Executive, do not contain provisions for termination payments and other payments linked to early termination.

Senior management is eligible for an annual performance bonus which is linked to agreed performance targets and their achievement.

Remuneration report - continued

3. Remuneration Statement - continued

3.1 Senior Executives - continued

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

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

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

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

3.2 Directors

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

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

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

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

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

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

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

Remuneration report - continued

3. Remuneration Statement - continued

3.3 Total Emoluments

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

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

Directors' fees	€240,000
Directors' other emoluments	€271,000
Directors' salary	€75,000

Variable and Non-Variable Emoluments of Directors and Senior Management

	Fixed Remuneration	Variable Remuneration	Share Options	Others
Senior Management	€520,000	€187,000	None	Non-cash benefits referred to above under 3.1
Directors	€509,000	€78,000	None	Non-cash benefits referred to above under 3.2

Independent auditor's report

To the Shareholders of Simonds Farsons Cisk plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- Simonds Farsons Cisk plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 31 January 2019, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Simonds Farsons Cisk plc's financial statements, set out on pages 37 to 109, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 January 2019;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

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

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

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Independent auditor's report - continued

To the Shareholders of Simonds Farsons Cisk plc

Our audit approach

Overview

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

- The Group is composed of 7 reporting units all located in Malta.
- The Group engagement team carried out the audit of the financial statements of the Parent Company as well as the audit of the financial statements of all the subsidiaries of the Company.

- Recognition of deferred tax asset arising from tax credits relating to the Group and Company.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report - continued
To the Shareholders of Simonds Farsons Cisk plc

Overall group materiality	€704,000 (2018: €673,000)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, profit before tax is the metric against which the performance of the Group is most commonly measured. We chose 5% which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €35,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

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

Independent auditor's report - continued

To the Shareholders of Simonds Farsons Cisk plc

How we tailored our group audit scope

The Group is composed of 7 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group audit team performed all of this work by applying the overall group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, the Group Chief Executive's review, the Directors' Report, the Statement by the Directors on Non-Financial information, the Remuneration report and the Five Year Record (but does not include the financial statements and our auditor's report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Independent auditor's report - continued

To the Shareholders of Simonds Farsons Cisk plc

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent company to cease to continue as a going concern.

Independent auditor's report - continued

To the Shareholders of Simonds Farsons Cisk plc

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

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

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

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 15 to 26 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

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed as auditors of the Company for the period ended 31 March 1948. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 71 years. The Company became listed on a regulated market on 20 December 1995.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

15 May 2019

Statements of financial position

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

Statements of financial position - continued

		As at 31 January			
		Group		Company	
	Notes	**2019 €'000**	2018 €'000	**2019 €'000**	2018 €'000
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the company					
Share capital	11	**9,000**	9,000	**9,000**	9,000
Revaluation and other reserves	13, 14	**49,409**	49,409	**46,137**	46,137
Hedging reserve	15	**(385)**	(495)	**(385)**	(495)
Retained earnings		**50,249**	38,718	**50,712**	41,347
Total equity		**108,273**	96,632	**105,464**	95,989
Non-current liabilities					
Trade and other payables	20	**610**	764	**610**	764
Derivative financial instruments	16	**383**	436	**383**	436
Borrowings	17	**35,058**	33,188	**35,058**	33,188
Provisions for other liabilities and charges	19	**35**	64	**35**	64
Total non-current liabilities		**36,086**	34,452	**36,086**	34,452
Current liabilities					
Provisions for other liabilities and charges	19	**61**	56	**61**	56
Trade and other payables	20	**19,473**	21,507	**12,883**	17,675
Current tax liabilities		**1,257**	910	**-**	-
Derivative financial instruments	16	**209**	325	**209**	325
Borrowings	17	**5,637**	9,646	**3,783**	8,856
Total current liabilities		**26,637**	32,444	**16,936**	26,912
Total liabilities		**62,723**	66,896	**53,022**	61,364
Total equity and liabilities		**170,996**	163,528	**158,486**	157,353

The notes on pages 44 to 109 are an integral part of these consolidated financial statements.

The financial statements on pages 37 to 109 were authorised for issue by the board on 15 May 2019 and were signed on its behalf by:

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice Chairman

Norman Aquilina
Group Chief Executive

Income statements

		Year ended 31 January			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Continuing operations:					
Revenue	4	**99,798**	94,980	**53,058**	50,924
Cost of sales	22	**(60,125)**	(57,920)	**(24,928)**	(24,802)
Gross profit		**39,673**	37,060	**28,130**	26,122
Selling and distribution costs	22	**(11,496)**	(10,332)	**(8,752)**	(7,628)
Administrative expenses	22	**(12,843)**	(12,066)	**(7,605)**	(7,514)
Operating profit		**15,334**	14,662	**11,773**	10,980
Finance income	25	**-**	-	**85**	139
Finance costs	26	**(1,239)**	(1,207)	**(1,153)**	(1,144)
Profit before tax		**14,095**	13,455	**10,705**	9,975
Tax income	27	**1,036**	949	**2,260**	2,000
Profit for the year from continuing operations		**15,131**	14,404	**12,965**	11,975
Discontinued operations:					
(Loss)/profit for the year from discontinued operations	21	**-**	(642)	**-**	19,403
Profit for the year		**15,131**	13,762	**12,965**	31,378

Basic and diluted earnings per share for the year attributable to shareholders arising from:			
- Continuing operations		**€0.504**	€0.480
- Discontinued operations		**-**	(€0.021)
	29	**€0.504**	€0.459

Statements of comprehensive income

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

The notes on pages 44 to 109 are an integral part of these consolidated financial statements.

Statements of changes in equity

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Group						
Balance at 1 February 2017		9,000	(705)	59,146	55,830	123,271
Comprehensive income						
Profit for the year		-	-	-	13,762	13,762
Other comprehensive income:						
Transfer of reserve upon disposal of investment property, net of deferred tax	13	-	-	(9,737)	9,737	-
Cash flow hedges net of deferred tax	15	-	210	-	-	210
Total comprehensive income		-	210	(9,737)	23,499	13,972
Transactions with owners						
Dividends relating to 2017 and 2018						
- paid in cash	12	-	-	-	(3,400)	(3,400)
- paid in kind	12	-	-	-	(37,211)	(37,211)
Total transactions with owners		-	-	-	(40,611)	(40,611)
Balance at 31 January 2018		**9,000**	**(495)**	**49,409**	**38,718**	**96,632**
Balance at 1 February 2018		9,000	(495)	49,409	38,718	96,632
Comprehensive income						
Profit for the year		-	-	-	15,131	15,131
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	-	110	-	-	110
Total comprehensive income		-	110	-	15,131	15,241
Transactions with owners						
Dividends relating to 2018 and 2019						
- paid in cash	12	-	-	-	(3,600)	(3,600)
Total transactions with owners		-	-	-	(3,600)	(3,600)
Balance at 31 January 2019		**9,000**	**(385)**	**49,409**	**50,249**	**108,273**

Statements of changes in equity - continued

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Company						
Balance at 1 February 2017		9,000	(705)	46,137	50,580	105,012
Comprehensive income						
Profit for the year		-	-	-	31,378	31,378
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	-	210	-	-	210
Total comprehensive income		-	210	-	31,378	31,588
Transactions with owners						
Dividends relating to 2017 and 2018						
- paid in cash	12	-	-	-	(3,400)	(3,400)
- paid in kind	12	-	-	-	(37,211)	(37,211)
Total transactions with owners		-	-	-	(40,611)	(40,611)
Balance at 31 January 2018		**9,000**	**(495)**	**46,137**	**41,347**	**95,989**
Balance at 1 February 2018		9,000	(495)	46,137	41,347	95,989
Comprehensive income						
Profit for the year		-	-	-	12,965	12,965
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	-	110	-	-	110
Total comprehensive income		-	110	-	12,965	13,075
Transactions with owners						
Dividends relating to 2018 and 2019						
- paid in cash	12	-	-	-	(3,600)	(3,600)
Total transactions with owners		-	-	-	(3,600)	(3,600)
Balance at 31 January 2019		**9,000**	**(385)**	**46,137**	**50,712**	**105,464**

The notes on pages 44 to 109 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 January			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	30	**18,221**	22,933	**15,508**	18,190
Interest received		**-**	-	**85**	139
Interest paid		**(1,239)**	(1,207)	**(1,153)**	(1,144)
Income tax paid		**(782)**	(833)	**-**	-
Net cash generated from operating activities		**16,200**	20,893	**14,440**	17,185
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,602)**	(13,498)	**(5,481)**	(15,533)
Additions to investment property		**-**	(1,706)	**-**	(1,596)
Additions to investment in subsidiary		**-**	-	**-**	(13,002)
Proceeds from disposal of property, plant and equipment		**15**	25	**-**	-
Proceeds from disposal of investment property		**-**	-	**-**	10,650
Cash outflow on spin-off of property segment	21	**-**	(6,228)	**-**	-
Net cash used in investing activities		**(6,587)**	(21,407)	**(5,481)**	(19,481)
Cash flows from financing activities					
Proceeds from non-current borrowings		**5,800**	322	**5,800**	322
Payments of current and non-current borrowings		**(3,602)**	(2,273)	**(3,602)**	(2,273)
Payments for redemption of 6% bonds		**-**	(15,000)	**-**	(15,000)
Proceeds from issue of 3.5% bonds		**-**	20,000	**-**	20,000
Payments of issue costs		**-**	(305)	**-**	(305)
Dividends paid		**(3,600)**	(3,400)	**(3,600)**	(3,400)
Net cash used in financing activities		**(1,402)**	(656)	**(1,402)**	(656)
Net movement in cash and cash equivalents		**8,211**	(1,170)	**7,557**	(2,952)
Cash and cash equivalents at beginning of year		**(2,492)**	(1,322)	**(4,109)**	(1,157)
Cash and cash equivalents at end of year	10	**5,719**	(2,492)	**3,448**	(4,109)

The notes on pages 44 to 109 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

Standards, interpretations and amendments to published standards effective in 2019

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

Other than changing certain accounting policies in particular the policy for financial assets as a result of adopting IFRS 9, 'Financial Instruments', the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's and company's accounting policies impacting the group's and company's financial performance and position. The new accounting policies are disclosed in Note 1 below.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the group's accounting periods beginning after 1 February 2018. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

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

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

IFRS 16, 'Leases'

Under IFRS 16 a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard is effective for annual periods beginning on or after 1 January 2019.

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

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

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

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

1.2 Changes in accounting policies

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

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

(i) Classification of Financial assets under IFRS 9

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

1. **Summary of significant accounting policies** - continued

1.2 Changes in accounting policies – continued

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

(i) Classification of Financial assets under IFRS 9 – continued

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

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

(ii) Impairment

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.2 Changes in accounting policies – continued

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

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

1.3 Consolidation

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

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

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

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

A listing of the subsidiaries is set out in note 36 to the financial statements.

1. Summary of significant accounting policies - continued

1.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 1.7).

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

1. **Summary of significant accounting policies** - continued

1.6 Intangible assets

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

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

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

1.7 Impairment of non-financial assets

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

1.8 Investments in subsidiaries and jointly-controlled entities

In the company's separate financial statements, investments in subsidiaries and jointly-controlled entities are accounted for by the cost method of accounting, that is, at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The company gathers objective evidence that an investment is impaired using the same process disclosed in note 1.9. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

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

1. Summary of significant accounting policies - continued

1.9 Financial assets

Classification

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

- The asset is held within a business model whose objective is to collect the contractual cash flows, and

- The contractual terms give rise to cash flows that are solely payments of principal and interest.

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

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

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

Recognition and measurement

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

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

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

1. **Summary of significant accounting policies** - continued

1.9 Financial assets - continued

Impairment

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

Expected credit loss model

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

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

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

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

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

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

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

1. **Summary of significant accounting policies** - continued

1.9 Financial assets - continued

Impairment - continued

Simplified approach model

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

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

1.10 Inventories

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

1.11 Trade and other receivables

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

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

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

1. **Summary of significant accounting policies** - continued

1.12 Current and deferred tax

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

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

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

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

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

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

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

1.13 Cash and cash equivalents

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

1. **Summary of significant accounting policies** - continued

1.14 Discontinued operations and non-current assets held for sale

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

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

1.15 Share capital

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

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

1.16 Borrowings

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

1.17 Provisions

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

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

1.18 Termination benefits

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

1. **Summary of significant accounting policies** - continued

1.19 Trade and other payables

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

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

1.20 Financial liabilities

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

1.21 Offsetting financial instruments

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

1.22 Revenue recognition

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

(a) Sale of goods and services

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

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

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

1. **Summary of significant accounting policies** - continued

1.22 Revenue recognition - continued

(a) Sale of goods and services - continued

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

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

Sales of goods - wholesale

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

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

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

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

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

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

1. **Summary of significant accounting policies** - continued

1.22 Revenue recognition - continued

(a) Sale of goods and services - continued

Sales of goods - retail

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

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

Sales of services

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

Financing

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

(b) Property related income

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

(c) Finance income

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

(d) Dividend income

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

1. Summary of significant accounting policies - continued

1.23 Operating leases

Where a group company is a lessee

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

Where a group company is a lessor

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

1.24 Finance lease - where the group is a lessee

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

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.25 Borrowing costs

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

1.26 Earnings per share

The group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding at the end of the period.

1. Summary of significant accounting policies - continued

1.27 Segment reporting

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

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

1.28 Derivative financial instruments

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.28 Derivative financial instruments – continued

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

1.29 Institutional grants

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

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

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

1. **Summary of significant accounting policies** - continued

1.30 Accounting policies applicable until 31 January 2018

1.30.1 Financial assets

Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 1.11 and 1.13).

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.

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.

1. Summary of significant accounting policies - continued

1.30 Accounting policies applicable until 31 January 2018 - continued

1.30.1 Financial assets - continued

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.

1.30.2 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.9). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.30.3 Revenue recognition

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

(a) Sales of goods - wholesale

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

(b) Sales of goods - retail

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

1. Summary of significant accounting policies - continued

1.30 Accounting policies applicable until 31 January 2018 - continued

1.30.3 Revenue recognition – continued

(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.

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Cash flow and fair value interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to note 17), expose the group to cash flow interest rate risk. The group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Borrowings issued at fixed rates, consist primarily of bank loans and unsecured bonds which are carried at amortised cost (refer to note 17), and therefore do not expose the group to cash flow and fair value interest rate risk.

Significant exposure to cash flow interest rate risk arises in respect of interest payments relating to borrowings, in particular to loans amounting to €17.6million (2018: €14.5million) that are subject to interest at floating rates linked to Euribor. The group entered into interest-rate swap agreements, which provided a cash flow hedging relationship in respect of variability of future floating interest payments. These agreements cover interest payments on the total amount of these borrowings. Accordingly, this hedging instrument has been designated as cash flow hedges on the interest rate risk, that is, volatility in floating interest amounts. Up to the reporting date, the group did not have any hedging arrangements with respect to the exposure of interest rate risk on other interest-bearing liabilities.

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

(b) Credit risk

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

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) ***Credit risk*** - continued

Security

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

Trade and other receivables

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

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Impairment of trade receivables

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

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

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

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

- An expected loss rate ranging from 0.22% to 0.63% on all credit sales generated in the preceding twelve months prior to 31 January resulting in a loss allowance of €626,000 for the group and €313,000 for the company.

- An expected loss rate of 100% on all outstanding dues generated before the preceding twelve months prior to 31 January (i.e. all trade receivables exceeding one year) resulting in a loss allowance of €2,049,000 for the group and €1,046,000 for the company.

Impairment of other receivables

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

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

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

- An expected loss rate averaging at 3.275% on all trade loans granted within contract terms classified under stages 1 and 2 resulting in a loss allowance of €389,000.

- An expected loss rate of 100% on all outstanding dues on trade loans that exceeded the credit terms granted by the group and hence classified under stage 3 resulting in a loss allowance of €747,000.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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

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

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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

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

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

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

Previous accounting policy for impairment of trade receivables

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

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

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

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

Group impairment provisions of €3,525,000 were in existence at 31 January 2018 in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €2,340,000. These unsecured overdue amounts consisted of €1,793,000 that were less than three months overdue and €547,000 that were greater than three months overdue.

Company impairment provisions of €1,917,000 were in existence at 31 January 2018 in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €1,002,000. These unsecured overdue amounts consisted of €761,000 that were less than three months overdue and €241,000 that were greater than three months overdue.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) ***Credit risk*** - continued

Impairment provisions of €1,445,000 for the group and the company were in existence at 31 January 2018 in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €2,187,000 for the group and the company.

Cash and cash equivalents

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

Amounts due from subsidiaries

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

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

Derivative financial instruments

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

(c) ***Liquidity risk***

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade and other payables (refer to notes 17 and 20). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) ***Liquidity risk*** - continued

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 €'000	Contractual cash flows €'000	Within one year €'000	One to five years €'000	Over five years €'000
Group					
31 January 2019					
Borrowings	**40,113**	**47,997**	**6,774**	**12,397**	**28,826**
Finance lease liabilities	**582**	**616**	**154**	**462**	**-**
Trade and other payables	**19,319**	**19,319**	**19,319**	**-**	**-**
	60,014	**67,932**	**26,247**	**12,859**	**28,826**
31 January 2018					
Borrowings	42,115	50,539	10,811	12,712	27,015
Finance lease liabilities	720	770	154	616	-
Trade and other payables	21,353	21,353	21,353	-	-
	64,188	72,662	32,318	13,328	27,015
Company					
31 January 2019					
Borrowings	**38,259**	**46,143**	**4,920**	**12,397**	**28,826**
Finance lease liabilities	**582**	**616**	**154**	**462**	**-**
Trade and other payables	**12,729**	**12,729**	**12,729**	**-**	**-**
	51,570	**59,488**	**17,803**	**12,859**	**28,826**
31 January 2018					
Borrowings	41,325	49,748	10,021	12,712	27,015
Finance lease liabilities	720	770	154	616	-
Trade and other payables	17,521	17,521	17,521	-	-
	59,566	68,039	27,696	13,328	27,015

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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 €'000	One to five years €'000	Over five years €'000	**Total €'000**
Group and Company				
31 January 2019				
Interest rate derivative				
- Interest-rate swap	**209**	**383**	**-**	**592**
31 January 2018				
Interest rate derivative				
- Interest-rate swap	278	391	46	715

The group's derivatives that will be settled on a gross basis consist principally of forward foreign exchange contracts (note 16). The table below analyses the 2018 group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year €'000	One to five years €'000	Over five years €'000	**Total €'000**
Group and Company				
31 January 2018				
Foreign exchange derivatives				
- Outflows	(322)	-	-	(322)
- Inflows	263	-	-	263
	(59)	-	-	(59)

2. **Financial risk management** - continued

2.2 Capital risk management

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

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings divided by total capital. The group and company consider total capital to be equity and total net borrowings.

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

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

2. Financial risk management - continued

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2019 and 2018 the carrying amounts of cash at bank, trade and other receivables, trade and other payables and current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of amounts owed by subsidiaries which are current or repayable on demand is equivalent to their carrying amount.

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

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

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

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

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

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

3. Critical accounting estimates and judgements

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

In the opinion of the company directors, the accounting estimates and judgements made in the course of preparing these financial statements, except as disclosed in notes 5,16 and 18 are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Segment information

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

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

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

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

During financial year ended 31 January 2015, the group's board decided to re-organise the internal structure within the group, and to 'spin-off' its property interests from the other business activities into a separate and distinct public company. The property management segment was excluded from this information in the last quarter of financial year 2018 following its spin-off (note 21).

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

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

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

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

4. Segment information - continued

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

4. Segment information - continued

	Brewing, production & sale of branded beers & beverages €'000	Importation, wholesale & retail of food & beverages, including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	**Group €'000**
2018					
Revenue	52,659	33,293	15,526	-	**101,478**
Less: inter-segmental sales	(2,165)	(4,333)	-	-	**(6,498)**
	50,494	28,960	15,526	-	**94,980**
Segment results	11,115	2,152	1,395	-	**14,662**
Net finance costs					**(1,207)**
Profit before tax					**13,455**
Tax income					**949**
Profit from continuing operations					**14,404**
Loss from discontinued operations	-	-	-	(642)	**(642)**
Profit for the year					**13,762**
Segment assets	133,347	18,242	6,592	-	**158,181**
Unallocated assets					**5,347**
Total assets					**163,528**
Segment liabilities	16,660	3,802	2,690	-	**23,152**
Unallocated liabilities					**43,744**
Total liabilities					**66,896**
Additions to non-current assets	13,023	69	401	-	**13,493**
Depreciation	6,131	157	612	-	**6,900**
Amortisation	25	-	42	-	**67**
Impairment provision for trade receivables	(49)	116	-	-	**67**

5. Property, plant and equipment

Group	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 31 January 2017				
Cost or valuation	73,626	4,299	134,771	212,696
Accumulated depreciation and impairment	-	-	(101,807)	(101,807)
Net book amount	73,626	4,299	32,964	110,889
Year ended 31 January 2018				
Opening net book amount	73,626	4,299	32,964	110,889
Additions and commissioned assets	6,008	3,922	3,563	13,493
Disposals	-	-	(86)	(86)
Depreciation	(1,327)	-	(5,573)	(6,900)
Depreciation released on disposals	-	-	79	79
Closing net book amount	**78,307**	**8,221**	**30,947**	**117,475**
At 31 January 2018				
Cost or valuation	79,634	8,221	138,248	226,103
Accumulated depreciation and impairment	(1,327)	-	(107,301)	(108,628)
Net book amount	78,307	8,221	30,947	117,475
Year ended 31 January 2019				
Opening net book amount	78,307	8,221	30,947	117,475
Additions and commissioned assets	5,734	(7,199)	8,067	6,602
Disposals	(680)	-	(4,891)	(5,571)
Depreciation	(2,646)	-	(4,702)	(7,348)
Depreciation released on disposals	680	-	4,882	5,562
Closing net book amount	**81,395**	**1,022**	**34,303**	**116,720**
At 31 January 2019				
Cost or valuation	84,688	1,022	141,424	227,134
Accumulated depreciation and impairment	(3,293)	-	(107,121)	(110,414)
Net book amount	81,395	1,022	34,303	116,720

5. **Property, plant and equipment** - continued

Company	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 31 January 2017				
Cost or valuation	66,053	4,299	111,316	181,668
Accumulated depreciation and impairment	-	-	(81,083)	(81,083)
Net book amount	66,053	4,299	30,233	100,585
Year ended 31 January 2018				
Opening net book amount	66,053	4,299	30,233	100,585
Additions and commissioned assets	8,534	3,922	3,077	15,533
Disposals	-	-	(11)	(11)
Depreciation	(1,198)	-	(4,844)	(6,042)
Depreciation released on disposals	-	-	11	11
Closing net book amount	**73,389**	**8,221**	**28,466**	**110,076**
At 31 January 2018				
Cost or valuation	74,587	8,221	114,382	197,190
Accumulated depreciation and impairment	(1,198)	-	(85,916)	(87,114)
Net book amount	73,389	8,221	28,466	110,076
Year ended 31 January 2019				
Opening net book amount	73,389	8,221	28,466	110,076
Additions and commissioned assets	5,734	(7,205)	6,952	5,481
Disposals	-	-	(1,002)	(1,002)
Depreciation	(2,454)	-	(3,913)	(6,367)
Depreciation released on disposals	-	-	1,002	1,002
Closing net book amount	**76,669**	**1,016**	**31,505**	**109,190**
At 31 January 2019				
Cost or valuation	80,321	1,016	120,332	201,669
Accumulated depreciation and impairment	(3,652)	-	(88,827)	(92,479)
Net book amount	76,669	1,016	31,505	109,190

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

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

5. Property, plant and equipment - continued

Fair value of property

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

As at 31 January 2019, the group's land and buildings within property, plant and equipment, comprise properties including the company's brewery and related operational and warehousing facilities, commercial property and property earmarked to compliment the group's operational activity.

The property valuations as at 31 January 2018 are based on the directors' value assessment performed using a variety of methods, including the adjusted sales comparison approach, the discounted projected cash flows approach, and capitalised rentals approach. Each property was valued by taking into consideration the external valuations prepared by independent chartered architectural firms as at 31 January 2018 and using the method considered by the external valuers to be the most appropriate valuation method for that type of property. The directors are of the opinion that the carrying amount of property, plant and equipment as at 31 January 2019, does not differ materially from that which would be determined using fair values that take account of the above considerations.

All the recurring property fair value measurements at 31 January 2018 use significant unobservable inputs and are accordingly categorised within level 3 of the fair valuation hierarchy. The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 January 2019.

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

5. **Property, plant and equipment** - continued

Valuation processes

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

- information provided by the group which is derived from the group's financial systems and is subject to the group's overall control environment; and

- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

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

Valuation techniques

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

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

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

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

5. Property, plant and equipment - continued

Valuation techniques - continued

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

Description by class	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2019				
Current use as manufacturing or related premises	**62,379**	Discounted cash flow approach	Discount rate	8%
Current use as commercial premises	**1,570**	Discounted cash flow approach	Rental rate per square meter	150 -400
Developable land for mixed use/commercial use	**17,446**	Sales comparison approach	Sales price per cubic meter	175 - 250
		Capitalised rentals approach	Rental rate per square meter	120 - 130
As at 31 January 2018				
Current use as manufacturing or related premises	59,291	Discounted cash flow approach	Discount rate	8%
Current use as commercial premises	1,570	Discounted cash flow approach	Rental rate per square meter	150 - 400
Developable land for mixed use/commercial use	17,446	Sales comparison approach	Sales price per cubic meter	175 - 250
		Capitalised rentals approach	Rental rate per square meter	120 - 130

5. Property, plant and equipment - continued

Valuation techniques - continued

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

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

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

As at 31 January 2019, the carrying amount of land and buildings would have been €42,630,000 (2018: €39,542,000) had these assets been included in the financial statements at historical cost less depreciation.

The charge for depreciation and impairment charges as disclosed in note 22 are included in the income statements as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cost of sales	**4,720**	4,564	**3,971**	3,905
Selling and distribution costs	**1,511**	1,437	**1,377**	1,320
Administration expenses	**1,117**	899	**1,019**	817
	7,348	6,900	**6,367**	6,042

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

6. Intangible assets

	Goodwill €'000	Franchise & agency rights €'000	Total €'000
Group			
At 31 January 2017			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,652)	(5,427)
Net book amount	283	333	616
Year ended 31 January 2018			
Opening net book amount	283	333	616
Amortisation	-	(42)	(42)
Closing net book amount	**283**	**291**	**574**
At 31 January 2018			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,694)	(5,469)
Net book amount	283	291	574
Year ended 31 January 2019			
Opening net book amount	283	291	574
Amortisation	-	(40)	(40)
Closing net book amount	**283**	**251**	**534**
At 31 January 2019			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,734)	(5,509)
Net book amount	283	251	534

6. **Intangible assets** - continued

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

Amortisation of €40,000 (2018: €42,000) is included in cost of sales within the income statements.

Impairment tests for goodwill

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

	2019	2018
	€'000	€'000
Brewing, production and sale of branded beers & beverages	**192**	192
Importation, wholesale and retail of food & beverages	**91**	91
Net book amount	**283**	283

The recoverable amount of a cash-generating unit is determined based on value in use calculations, and is assessed annually. As at 31 January 2019, the directors reviewed the goodwill, and based on the current period's results and plans for the foreseeable future, they are confident that the recoverable amount of goodwill is not materially different from the carrying amount.

7. Investments in subsidiaries

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

Additions for 2018 relate to the capital contribution made by the company for the restructuring of the share capital of Trident Estates plc prior to spin-off (note 21). On 20 December 2017, the company distributed this investment to its shareholders.

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

8. Inventories

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

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

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

9. Trade and other receivables

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

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

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

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

Amounts due to the company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €710,000 (2018: €4,070,000) which are subject to an average interest rate of 4.75% (2018: 4.75%). Other balances within amounts due from subsidiaries are interest free.

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

10. Cash and cash equivalents

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**7,578**	3,720	**3,453**	1,313
Bank overdrafts (note 17)	**(1,859)**	(6,212)	**(5)**	(5,422)
	5,719	(2,492)	**3,448**	(4,109)

11. Share capital

	Company	
	2019	2018
	€'000	€'000
Authorised:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000
21,000,000 preference shares of €1.00 each	**21,000**	21,000
	30,000	30,000
Issued and fully paid:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000

12. Dividends paid

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

The final dividend of €2,600,000 in respect of the year ended 31 January 2018 was announced to the ordinary shareholders on 22 June 2018. These final dividends were paid out of tax exempt profits. A net interim dividend of €1,000,000 (€0.0333 per share) in respect of the year ended 31 January 2019 was announced on 19 September 2018, and paid to the ordinary shareholders on 10 October 2018. At the forthcoming Annual General Meeting, a final net dividend of €3,000,000 (€0.10 per share) in respect of the financial year ended 31 January 2019 is to be proposed.

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

These financial statements do not reflect the proposed final dividend for 2019 of €3,000,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2020.

13. Revaluation reserve

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

Following the spin-off of the group's property division (note 21), related unrealised fair value reserves amounting to €9.7million (net of deferred tax of €1.8million) were realised and transferred to retained earnings.

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

14. Other reserves

	Share premium €'000	Other unrealised reserve €'000	Incentives and benefits reserve €'000	Capital redemption reserve €'000	Total €'000
Group					
At 31 January 2018 and 31 January 2019	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
Company					
At 31 January 2018 and 31 January 2019	**2,078**	**210**	**2,515**	**7,463**	**12,266**

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

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

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

15. Hedging reserve

The changes in fair values of hedging instruments qualifying as cash flow hedges are recorded in a separate category of equity in the hedging reserve as shown below:

Group and Company	Currency derivatives €'000	Interest rate swap €'000	Total €'000
At 31 January 2017			
Gross amounts of losses	5	1,080	1,085
Deferred taxes (note 18)	(2)	(378)	(380)
	3	702	705
Movement for the year ended 31 January 2018			
Losses/(gains) from changes in fair value	133	(66)	67
Deferred taxes (note 18)	(46)	23	(23)
	87	(43)	44
Transferred to statement of comprehensive income (notes 24 and 26)	(92)	(299)	(391)
Deferred taxes (note 18)	32	105	137
	(60)	(194)	(254)
At 31 January 2018			
Gross amounts of losses	46	715	761
Deferred taxes (note 18)	(16)	(250)	(266)
	30	465	495
Movement for the year ended 31 January 2019			
(Gains)/losses/from changes in fair value	(23)	127	104
Deferred taxes (note 18)	8	(44)	(36)
	(15)	83	68
Transferred to statement of comprehensive income (notes 24 and 26)	(23)	(250)	(273)
Deferred taxes (note 18)	8	88	96
	(15)	(162)	(177)
At 31 January 2019			
Gross amounts of losses	-	592	592
Deferred taxes (note 18)	-	(207)	(207)
	-	**385**	**385**

The net fair value losses recognised in equity at 31 January 2019 on the interest-rate swap contracts will be transferred from the hedging reserve to the income statements during the remaining term of the contracts up to 2024. As at the reporting period date, these contracts are designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract.

16. Derivative financial instruments

The fair values of derivative financial instruments held for hedging at the end of the reporting period are as follows:

Fair values liabilities	Group and Company €'000
At 31 January 2019	
Interest rate derivative – interest-rate swap	**592**
Total recognised derivative liabilities	**592**
At 31 January 2018	
Interest rate derivative – interest-rate swap	715
Foreign exchange derivatives – currency forwards	46
Total recognised derivative liabilities	761

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

	2019 €'000	2018 €'000
Derivatives financial liabilities		
Non-current	**383**	436
Current	**209**	325
	592	761

(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 €12.4million matching the principal amount of an equal value specific bank loan. As at year end, the remaining unpaid portion of this loan amounted to €10.5 million. Under the interest rate swap arrangement, the company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 1.82% with variable interest amounts receivable based on the 3 month floating Euribor rate. The derivative expires in 2024, thus matching with the terms of loan.

16. Derivative financial instruments - continued

(a) Interest rate derivatives - continued

During the financial year ended 31 January 2011, the company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €10million matching the principal amount of an equal value specific loan. As at year end, the remaining unpaid portion of this loan amounted to €1.5million. Under the interest rate swap arrangement, the company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 2.74% with variable interest amounts receivable based on the 3 month floating Euribor rate. The derivative expires in 2020, thus matching with the terms of loan.

The company has designated these derivative contracts as hedging instruments in a cash flow hedge with the hedged risk being the company's exposure to cash flow interest rate risk arising on the variable interest amounts payable with respect to these loans. Fair value changes arising on these instruments are recognised in other comprehensive income directly in the cash flow hedging reserve.

Gains and losses recognised in the hedging reserve in equity (note 15) on the interest rate swap contracts as of 31 January 2019 will be released to the income statements over the period until maturity of the contracts.

17. Borrowings

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

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

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

By virtue of an offering memorandum dated 31 July 2017, the company issued €20million Bonds (2017-2027), having a nominal value of €100 each, bearing interest at the rate of 3.5% per annum. These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 31 July 2017. The quoted market price as at 31 January 2019 for the 3.5% Bonds 2017-2027 was €105.75.

17. **Borrowings** - continued

The group's and the company's banking facilities as at 31 January 2019 and 2018 amounted to €54,264,000 and €58,544,000 for the group, and €45,933,000 and €50,213,000 for the company respectively.

The bank overdrafts and loans are secured by special and general hypothecs over the group's assets and pledges over the group's merchandise.

Interest rate exposure:

	Group		**Company**	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
At floating rates	**19,457**	20,724	**17,603**	19,934
At fixed rates	**21,238**	22,110	**21,238**	22,110
Total borrowings	**40,695**	42,834	**38,841**	42,044

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

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

	Group		**Company**	
	2019	2018	**2019**	2018
	%	%	**%**	%
Bank overdrafts	**4.15**	4.59	**4.60**	4.60
Bank loans	**2.11**	2.37	**2.11**	2.37
Bonds	**3.50**	3.50	**3.50**	3.50
Finance lease liabilities	**2.30**	2.30	**2.30**	2.30

This note provides information about the contractual terms of the group's and the company's loans and borrowings. For more information about the group's and the company's exposure to interest rate and liquidity risk, see note 2.

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

18. Deferred taxation

The movement in the deferred tax account is as follows:

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

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2018: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 8% or 10% (2018: 8% or 10%) of the transfer value.

The manufacturing arm of the group has been availing itself of investment aid under the various tax credit schemes that were applicable until 30 June 2014. In view of the fact that the tax credit schemes have become more restrictive in respect of large undertakings, the group has reassessed the extent to which the related deferred tax may be utilised in the foreseeable future. This assessment resulted in a further recognition of deferred tax credits on investment aid of €2,176,000 (2018: €1,622,000). This amount was credited to the income statement under continuing operations.

This assessment has been based on projected taxable profits. If the actual chargeable income differed by 10% from management's estimates, the group and company would need to increase/decrease the deferred tax asset by €1,519,000.

18. Deferred taxation - continued

The movements in the deferred taxation elements and the balance at 31 January represent:

(Assets)/liabilities	Fixed assets €'000	Investment tax credits €'000	Fair value (gain)/loss €'000	Net tax losses €'000	Revaluation surplus €'000	Provisions on assets €'000	Total €'000
Group							
At 1 February 2017	4,467	(11,387)	127	94	6,742	(1,704)	(1,661)
Income statements	(211)	(1,622)	-	-	-	(136)	(1,969)
Equity	-	-	114	-	-	-	114
De-recognition	-	-	-	-	(1,825)	-	(1,825)
At 31 January 2018	**4,256**	**(13,009)**	**241**	**94**	**4,917**	**(1,840)**	**(5,341)**
At 1 February 2018	4,256	(13,009)	241	94	4,917	(1,840)	(5,341)
Income statements	(309)	(2,176)	(29)	(93)	-	443	(2,164)
Equity	-	-	59	-	-	-	59
At 31 January 2019	**3,947**	**(15,185)**	**271**	**1**	**4,917**	**(1,397)**	**(7,446)**
Company							
At 1 February 2017	4,493	(11,387)	(352)	93	4,062	(1,601)	(4,692)
Income statements	(294)	(1,622)	-	-	-	(84)	(2,000)
Equity	-	-	114	-	-	-	114
At 31 January 2018	**4,199**	**(13,009)**	**(238)**	**93**	**4,062**	**(1,685)**	**(6,578)**
At 1 February 2018	4,199	(13,009)	(238)	93	4,062	(1,685)	(6,578)
Income statements	(274)	(2,176)	(29)	(93)	-	312	(2,260)
Equity	-	-	59	-	-	-	59
At 31 January 2019	**3,925**	**(15,185)**	**(208)**	**-**	**4,062**	**(1,373)**	**(8,779)**

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

At 31 January 2019, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

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

Whereas tax losses have no expiry date, unabsorbed capital allowances and other tax credits are forfeited upon cessation of trade. The group and the company has unrecognised tax credits in the form of investment tax credits and conversion tax credits of €57,020,000 (2018: €59,030,000). €29,158,000 (2018: €29,030,000) relate to investment tax credits which have no expiry date while €27,862,000 (2018: €30,000,000) relate to conversion tax credits which expire in 2020.

19. Provisions for other liabilities and charges

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

The company has offered early retirement in exchange for a termination benefit to selected employees. This has been communicated to the selected employees, together with the amounts payable. The staff restructuring and termination costs charged for 2019 total €113,000 while for 2018 total €156,000 (note 22). It is anticipated that €61,000 (2018: €56,000) of the provision will be paid during the financial year ending 31 January 2020.

20. Trade and other payables

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

The group's and company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 2.

As at 31 January 2019, capital and other payables include institutional grants amounting to €764,000 (2018: €918,000) relating to funds advanced directly by the Government of Malta or other institutions to the group, co-financing its capital expenditure on the property, plant and equipment. The non-current portion of deferred institutional grants amounted to €610,000 (2018: €764,000). Such funds are treated as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. The impact of these grants on the current year's results are disclosed in note 22.

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

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

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

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

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

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

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

In December 2017, the entire investment in Trident Estates plc, at Company level, was transferred to its shareholders through a non-cash dividend distribution of €37,211,000 (note 12). This distribution represented the fair value of this subsidiary and its underlying net assets. The difference between this fair value and the carrying amount of this investment in the company's books of €17,808,000 (note 7) is presented in profit or loss under discontinued operations as a fair value adjustment to investment in subsidiary upon distribution and amounts to €19,403,000.

22. Expenses by nature

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

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

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

Auditor's fees

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

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

23. Employee benefit expense

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

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

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

24. Net exchange differences

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

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

25. Finance income

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

26. Finance costs

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

During the year ended 31 January 2019, the company was granted net interest subsidy amounting to €347,000 (2018: €509,000) from Malta Enterprise related to approved investment loans of €11.4 million (2018: €13.7 million). A net effective interest rate of 1.20% (2018: 1.30%) was applied, representing the borrowing cost of the loans utilised to finance capital projects. This rate is net of the interest rate subsidy provided by Malta Enterprise.

27. Tax income

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Current tax expense	**1,128**	1,237	**-**	-
Deferred tax income (note 18)	**(2,164)**	(1,969)	**(2,260)**	(2,000)
Tax income	**(1,036)**	(732)	**(2,260)**	(2,000)

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Disclosed as:				
Continuing operations	**(1,036)**	(949)	**(2,260)**	(2,000)
Discontinued operations (note 21)	**-**	217	**-**	-
	(1,036)	(732)	**(2,260)**	(2,000)

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

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

28. Directors' emoluments

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

A number of directors availed themselves of an allowance for the use of company cars during the year. The estimated value of this benefit has been included within the directors' emoluments, which also includes other allowances.

29. Earnings per share

Earnings per share is based on the profit for the financial year attributable to the shareholders of Simonds Farsons Cisk plc divided by the weighted average number of ordinary shares in issue during the year and ranking for dividend.

	Group	
	2019	2018
Profit from continuing operations attributable to shareholders (€'000)	**15,131**	14,404
Loss from discontinued operations attributable to shareholders (€'000)	**-**	(642)
Profit attributable to shareholders (€'000)	**15,131**	13,762
Weighted average number of ordinary shares in issue (thousands)	**30,000**	30,000
Basic and diluted earnings per share for the year attributable to shareholders arising from:		
- Continuing operations	**€0.504**	€0.480
- Discontinued operations	**-**	(€0.021)
	€0.504	€0.459

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

30. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

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

Net debt reconciliation

All the movements in the company's net debt related only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 43.

31. Commitments

Capital commitments

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

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

31. **Commitments** - continued

Operating lease commitments - where a group company is a lessee

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

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

Operating lease commitments - where a group company is a lessor

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

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

Finance lease commitments

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

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

32. Contingent liabilities

At 31 January 2019, the group and the company had contingent liabilities amounting to €785,000 (2018: €938,000) and €88,000 (2018: €194,000) respectively, with regards to guarantees mainly in favour of the Comptroller of Customs issued by the bank on behalf of the group and company in the ordinary course of business and capital expenditure.

33. Related party transactions

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

	Percentage of shares held	
	2019	2018
Farrugia Investments Limited	**26.50**	26.50
M.S.M. Investments Limited	**26.50**	26.50
Sciclunas Estates Limited	**26.32**	26.32

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

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Income from goods and services				
- Sales of goods to subsidiaries	**-**	-	**2,109**	2,105
- Sales of goods to related parties	**684**	263	**522**	122
- Recharge of costs to subsidiaries	**-**	-	**1,260**	1,441
- Recharge of payroll costs to subsidiaries	**-**	-	**2,622**	2,387
- Finance income on loans to subsidiaries	**-**	-	**85**	139
	684	263	**6,598**	6,194
Expenditure for goods and services				
- Purchases of goods from subsidiaries	**-**	-	**775**	562
- Purchases of goods and services from related parties	**1,076**	606	**949**	531
- Rental expenses from related parties	**659**	-	**-**	-
- Finance costs on loans from subsidiaries	**-**	-	**34**	34
	1,735	606	**1,758**	1,127

33. Related party transactions - continued

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

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

The company has no profit sharing, share options or pension benefits arrangements with key management personnel.

Amounts due from/to subsidiaries, in connection with sales and purchases and treasury transactions, are disclosed in notes 9 and 20 of these financial statements.

34. Statutory information

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

35. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of fairer presentation.

36. Subsidiaries

The principal subsidiaries at 31 January 2019 are shown below:

	Registered office	Principal activities	Percentage of shares held 2019	2018
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
Food Chain Limited	303, Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Galleria Management Limited (In liquidation)	The Brewery, Mdina Road, Mriehel	Non-operating	**-**	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