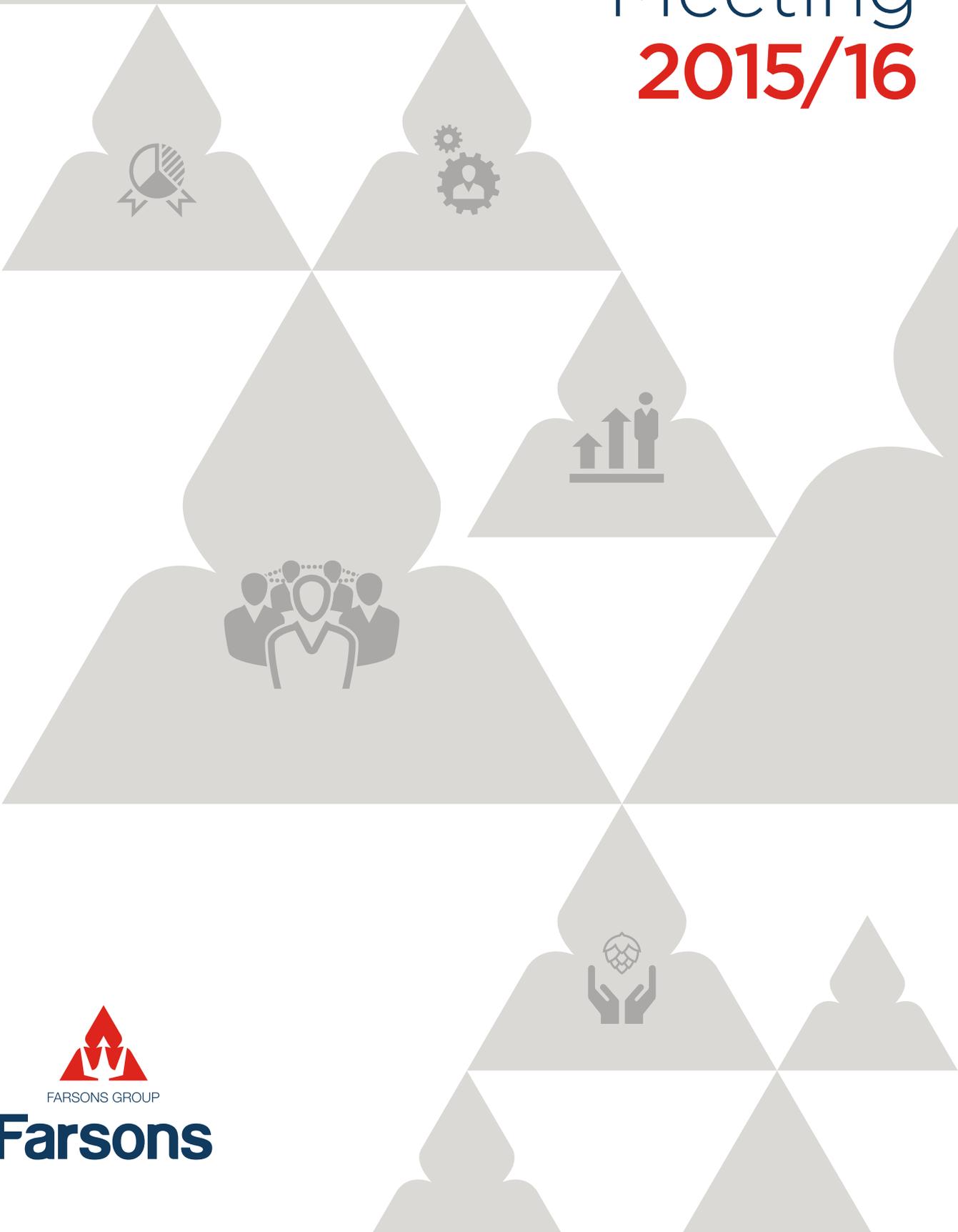


Simonds Farsons Cisk plc

Annual General Meeting **2015/16**



FARSONS GROUP

Farsons



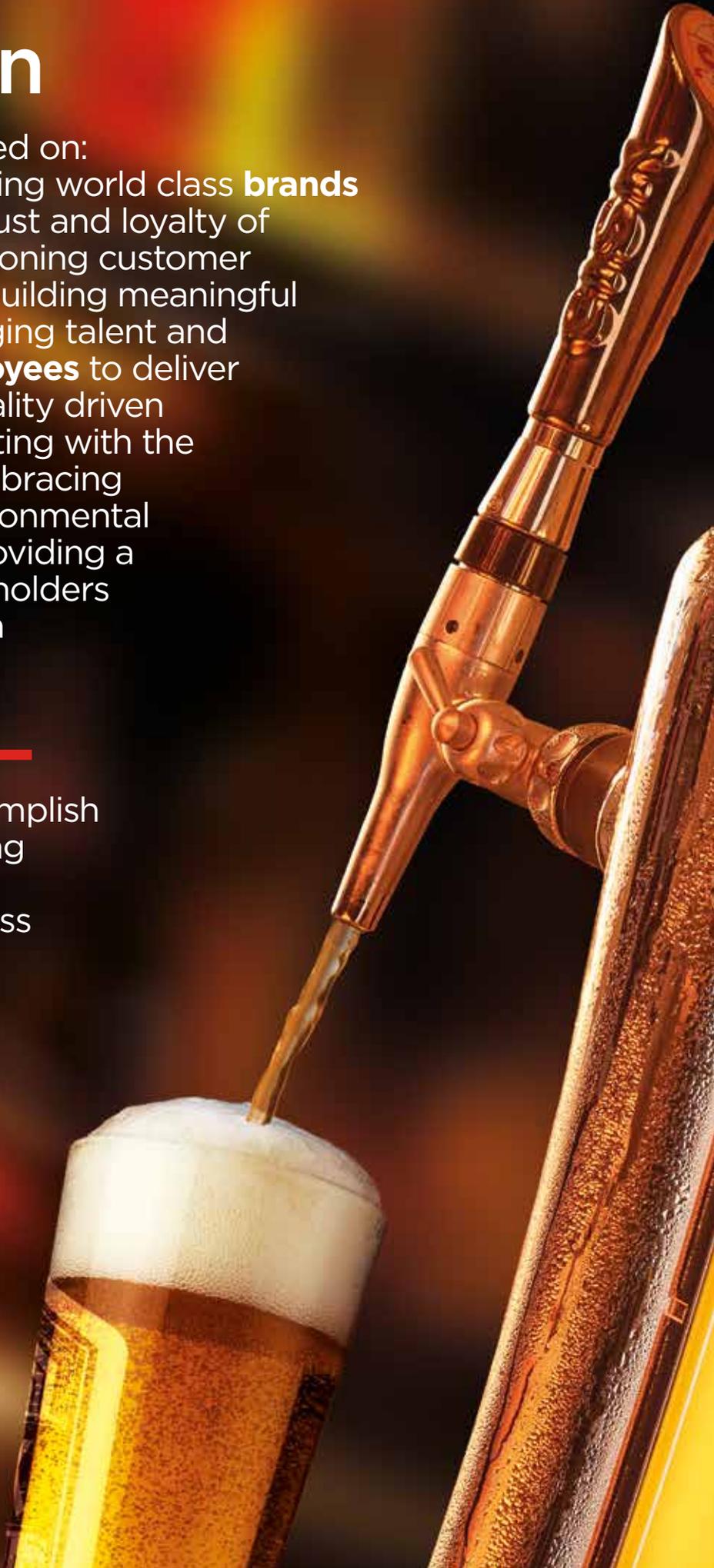
Farsons Group

Brand Portfolio

Vision & Mission

Our strategy is based on: creating and nurturing world class **brands** which inspire the trust and loyalty of consumers; championing customer **relationships** and building meaningful partnerships; engaging talent and empowering **employees** to deliver sustainable and quality driven operations; connecting with the community and embracing our social and environmental **responsibilities**; providing a **fair return** to shareholders to ensure long-term investment and profitable growth.

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





Empowering Employees



Rewarding Shareholders



Championing Relationships



Embracing Responsibilities



Nurturing Brands



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INVESTING IN THE FUTURE

GEARING UP FOR GREATER EXPORT GROWTH

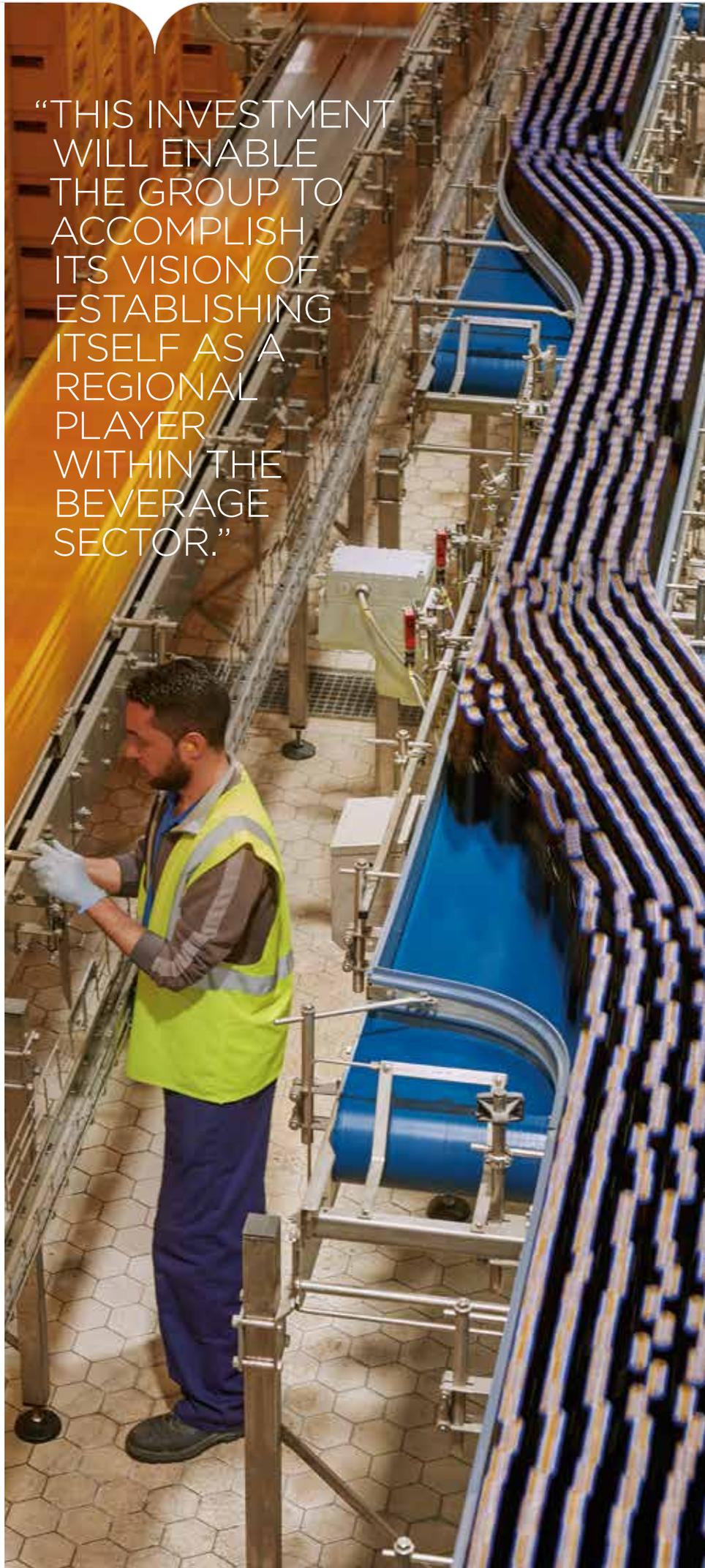
Our newly built €27 Million state-of-the-art Beer Packaging Facility is now complete, enabling Farsons to produce and pack beer and soft drinks in exportable packages, at competitive prices. This investment will enable the Group to embark on its vision of establishing itself as a regional player within the beverage sector, in line with our stated Mission.

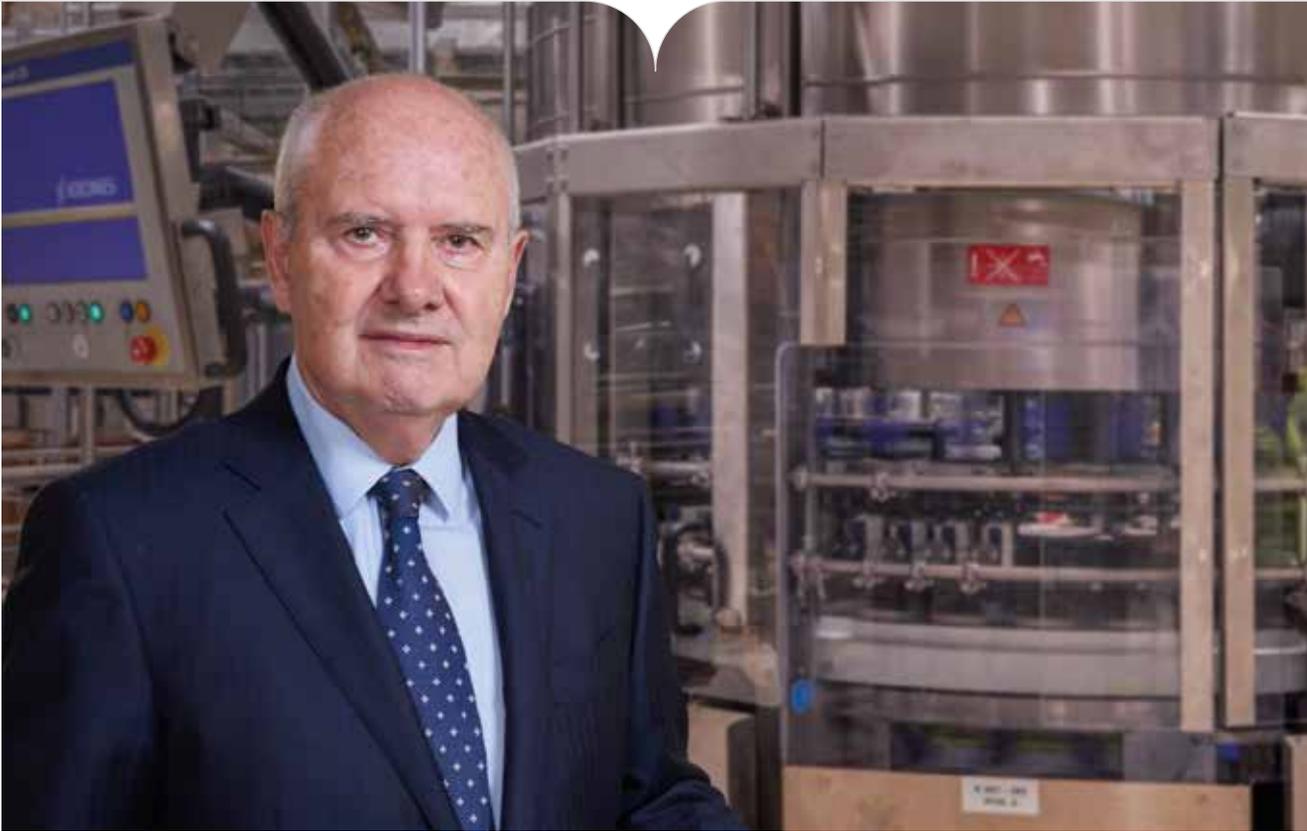
The Beer Packaging Facility investment consists of three floors: a packaging hall and two floors of packaging materials stores on a footprint of 4,500m². The packaging hall houses three packaging lines for returnable and non-returnable glass bottles at a speed of 30,000 bottles per hour and a canning line at a speed of 40,000 cans per hour. The plant is supplied by the best of German and American suppliers and reflects the latest technology ensuring the highest quality, productivity and efficiency. The packaging hall has also been designed to offer the best European standards in working environment and health and safety standards. The two floors of stores can house about 4,000 pallets each and they are conveyed to the packaging lines by means of an automated vertical pallet conveyor to minimise pallet handling.





“THIS INVESTMENT
WILL ENABLE
THE GROUP TO
ACCOMPLISH
ITS VISION OF
ESTABLISHING
ITSELF AS A
REGIONAL
PLAYER
WITHIN THE
BEVERAGE
SECTOR.”





CHAIRMAN'S STATEMENT

ONCE AGAIN, IT IS MY PRIVILEGE TO REPORT TO YOU ON ANOTHER SOLID AND PROFITABLE PERFORMANCE. FOR THE YEAR ENDED 31 JANUARY 2016, GROUP TURNOVER REACHED €84.9 MILLION, REPRESENTING A ROBUST INCREASE OF 7.2% OVER THE PREVIOUS YEAR AND PROFIT BEFORE TAX FROM CONTINUING OPERATIONS AMOUNTING TO €10.1 MILLION, COMPARED TO €8.2 MILLION IN THE PREVIOUS YEAR, REPRESENTING AN IMPRESSIVE INCREASE OF 22.8%.

Profit after taxation and discontinued operations amounted to €11.2 million, compared to €8 million in the previous year, an increase of 40%. Last year our results from discontinued operations were materially impacted by a substantial impairment charge in the value attributable to the land on which the brewery façade lies, and a favourable recognition of tax credits, the utilisation of which have become more readily available because of the improved profit performance of the Group. This year the deferred tax portion was positively affected by changes in tax rules relating to immovable property.

The main reasons for the improved trading performance of the different business segments are ably covered by our Group Chief Executive, Norman Aquilina, in his statement in this report. Our performance has been most encouraging across the business units. The local economy has performed well, spurred on by record tourist arrivals. Malta's GDP growth reached a high 6.3% in 2015 and a record number of persons are in local employment, with an increasing level of foreign citizens boosting

Malta's labour pool. All these factors are helping to drive increased consumer demand for our products.

We have seen strong demand for our products in this vibrant economic environment, and this annual report features a number of new beers that we are currently launching on both the local and export markets. We are aligning our products with new consumer preferences and our current relaunch of Farsons Classic Ales responding to the increase in worldwide interest in craft beers.

I wish to emphasise that the Group's increased market success is also largely due to the significant investments that your Board has made in recent years, both in our operational assets and in the marketing strategies of our own brands and the brands that we represent. Our cost of sales is continually under close scrutiny, and the large investments we have undertaken have enabled us to become far more efficient, productive and creative in our packaging choices.

As we publish this annual report, we are currently commissioning the new €27 million beer packaging facility, an investment which we initiated in April 2014 and which we stated would be completed by April 2016. I am pleased to confirm that we have completed this complex project on time and on budget and, although it is very early days to confirm that we are reaching the specified production outputs, this new facility will undoubtedly improve our production capacity and flexibility, particularly in the number of different export packages that we offer our export clients. This investment closely follows the €12.5 million investment in the new Brewhouse which we completed in 2012. We can now state that we have replaced most of our critical operational assets, and that we are well placed to benefit from these investments for many years to come.

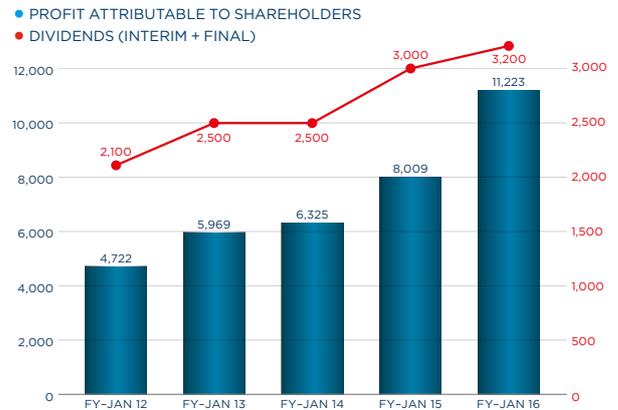
Further important investments that we have just embarked upon include the extension to our Logistics Centre and the enlargement of our administration block through the planned addition of two extra floors of offices – both projects due for completion over the summer of 2017. The Logistics Centre project will facilitate our important storage and distribution functions, whilst the office extension will enable us to co-locate all executive, marketing, finance and administration staff, thus enabling us to vacate the main brewery building, paving the way for the Farsons Business Park project referred to below.

We are now just over a year or so away from our joint decision to go ahead with the intended spin-off of our non-operational property assets into a newly listed public limited company (plc). Much work is underway in preparation for this important and complex transaction. I believe that it is appropriate for me to remind you all of the main reasons why we have proposed this course of action. Firstly, we believe that the proposed plan of rehabilitating and converting the old brewery building into an office business park with an accompanying car park, visitors centre (which will exhibit the Farsons Story), as well as food and beverage outlets to service the employees in the Mriehel area, is a feasible investment which can benefit and enhance shareholder value.

Secondly, the Farsons Group owns substantial property assets which are not an integral part of our beverage and food operations, and which, in the opinion of your Board, have the potential to provide a far better return to shareholders if such assets were to be governed by a focused board of directors and managed by a dedicated management team with the right skills and time to manage the new business. In this annual report we have set out a list of the properties that are scheduled to be transferred to the new plc, and also provide details of the design features of the Farsons Business Park, as well as information relating to the main aspects of the investment being proposed.

Before finally taking and implementing the all-important decision, you can rest assured that your Board will convene a shareholders' meeting to discuss the whole project. We shall ensure that adequate time will be allocated to enable you to consider all aspects of the proposals before any final decision is taken. Shareholders will also be able to follow progress relating to the project through the company announcements on to this matter that are issued from time to time.

DECLARED DIVIDENDS OVER THE PAST FIVE YEARS



In view of the increased profits for the year, and the improvement in EBITDA to €19 million, your Board is recommending a final dividend of €2.2 million. If approved by the shareholders at the forthcoming Annual General Meeting, this will result in a total dividend payment for the financial year under review of €3.2 million, as compared to €3 million for the previous year.

I wish to sincerely thank all Farsons Group employees for their continued commitment, and for their positive and enthusiastic response to the considerably increased workload that we are all facing in the light of the pace of change that is occurring in the market place and the implementation of the heavy capital investment we have embarked upon over recent years. Without their dedication our results would not have been possible.

Also, once again our thanks and gratitude due to our legal advisors Mamo TCV and our auditors PricewaterhouseCoopers for their continued valid and learned advice.

Louis A. Farrugia

Louis A. Farrugia *Chairman*

12 May 2016





BROAD-RANGING INVESTMENTS, GAME-CHANGING INITIATIVES

GROUP CHIEF EXECUTIVE'S REVIEW

THE FARSONS GROUP HAS, ONCE AGAIN, DELIVERED A VERY ENCOURAGING PERFORMANCE, WITH IMPROVED YEAR-ON-YEAR RESULTS. THE FACT THAT WE WERE ABLE TO MAINTAIN SUCH A CONSISTENT MOMENTUM OVER THE PAST YEARS, DESPITE FIERCE AND EVER-PRESENT COMPETITION, CERTAINLY GIVES CREDIBILITY TO OUR STRATEGIES. IT ALSO DEMONSTRATES OUR GROUP'S RESILIENCE AND OUR ABILITY TO RESPOND EFFECTIVELY TO EVOLVING, AND INCREASINGLY COMPLEX, MARKET DYNAMICS.

Group turnover reached €84.9 million, an increase of 7.2% over the previous year, whereas profit before tax from continuing operations increased by 22.8% to €10.1 million. Our EBITDA amounted to €18.7 million, an increase of €1.5 million over last year. It is certainly most satisfying to be able to report such results for this past year. More importantly though, these results motivate us to look ahead and pursue our ambitions for even further growth.

Such growth, as we have noted before, can only stem from a twin strategy of innovation and exports. In both areas, we have made very significant strides forward. We have focused on upgrading the brand imagery and packaging of our beer portfolio, now launching new products such as Cisk Pilsner and the newly re-launched but classic Farsons branded ales.

ENGAGING TALENT & EMPOWERING EMPLOYEES TO DELIVER

Throughout the group, management is committed to engaging talent and empowering employees to deliver sustainable and quality operations. We focus not only on attracting and recruiting employees who can help us achieve our ambitious targets, but also on motivating and retaining our current employees. Across the group, various initiatives have been introduced to motivate employees and enhance their performance, including ongoing training and development programmes which are both directed at improving skills.

With broad ranging investments and game-changing initiatives, we have worked hard towards establishing a stronger performance management culture. We have organised engagement workshops where employees had the opportunity to discuss the Group's vision and objectives; there are ongoing efforts to enhance and align processes to continue to drive our results-oriented approach through working smarter and optimising the use of technology wherever possible.

OPERATIONAL HIGHLIGHTS

Our new Beer Packaging Facility has, of course, been a major area of focus. Since the start of the financial year, construction works were continuous. The large underground rain water reservoir was also roofed over. The ground floor houses the three packaging lines. Before the actual plant was delivered towards the end of September, the ground floor was prepared with process drains, internal plastering

“THESE RESULTS MOTIVATE US TO LOOK AHEAD AND PURSUE OUR AMBITIONS FOR EVEN FURTHER GROWTH.”

and painting, ventilation system, LED high bay lighting, fire alarm installation and employee facilities. Special ceramic hexagonal tiles were laid by a specialist contractor to guarantee hygienic conditions.

The bottling hall was also equipped with 3,000 acoustic baffles, fixed to the ceiling, to minimise noise reverberations from the hard concrete surfaces and ceiling. The first and second floors serve as packaging materials stores. These have been designed to maximise the storage capacity of all the packaging materials we currently use, the bulkiest of which are cans. The height of the stores was in fact determined by the height of three can pallets on top of each other. The stores have been fitted with an inbuilt fire-fighting installation, a vertical pallet conveyor to take packaging materials pallets automatically to the packaging lines and a four pallet lift leading to the second floor.

The extensive bottling and canning machinery, which arrived in no less than ninety different containers from both Europe and the United States, has now been successfully installed and commissioned. Our efforts to drive efficiency and above all, product quality, are unceasing, as reflected in a number of initiatives throughout our operation.

Our PET soft drink filler, which has served us well for a number of years, has been replaced by one using the latest volumetric computer-controlled precision technology which ensures careful filling of carbonated and still beverages in PET bottles. The new filler, commissioned in March 2015, has been successfully operating for over a year and now helps us to deliver not only enhanced product standards, but also reduced wastage and improved productivity. These results motivate us to look ahead and pursue our ambitions for even further growth. On the other hand, the commissioning of our new Beer Packaging Facility marks a quantum leap that enables us to implement a broader export strategy.

We envisage that the benefits from this €27 million investment will start to be realised within the new financial year. Throughout the past year we were fully focused to ensure that this beer packaging investment was implemented according to set plans. Here, recognition is due to all the project team, ably led by our Chief Operations Officer Ing. Ray Sciberras.

Technological developments have also enabled us to change the caps used to close PET bottles. The caps are now lighter and smaller, and are less costly. The new smaller caps also require a smaller thread on the bottle leading to more efficient production. These changes necessitated an investment in line components, carried out in December 2015.

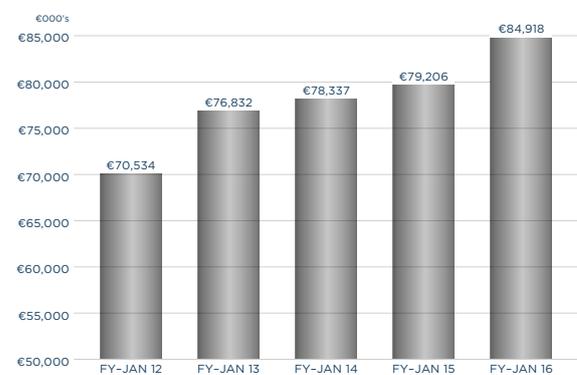
GROUP PROFITABILITY BEFORE TAX FROM CONTINUING OPERATIONS



GROUP EBITDA



GROUP TURNOVER



KEY GROUP PERFORMANCE HIGHLIGHTS FROM CONTINUING OPERATIONS

ACTUAL vs LAST YEAR vs FIVE YEAR COMPARATIVES

	FY Jan 2016 €'000	Improvement vs FY Jan 2015	Improvement vs FY Jan 2012*
Turnover	€84,918	7%	20%
Operating Profit	€11,475	18%	83%
Pre-tax Profit	€10,112	23%	103%
Post-tax Profit	€10,981	-18%**	138%
EBITDA	€18,680	9%	63%
Earnings per Ordinary share	€0.366	-18%	133%
Return on Average Capital Employed	8.8%	1pp	3.4pp
Gearing	18.22%	1.74pp	-9pp

*Restated to exclude the property segment.

**Tax income for FY 2016 amounts to €869,000 compared to €5,222,000 in FY 2015.

The extension of our office block through the construction of two additional office floors and the extension to our Logistics Centre has meant that we had to relocate twelve large water tanks. This operation entailed the construction of a concrete platform able to sustain the 1,800 Tonne weight as well as lifting, carrying and lowering these 4m diameter by 25m high tanks into place. The whole project involved the complete renewal of our piping and pumping network, to enable us to treat and store the four different qualities of water which are used in our various production processes. In line with the Group's objectives of increasing its exports, the Logistics Department has embarked on two major projects.

One is the construction of an extension to the warehouse at the rear of the Logistics Centre to increase storage capacity. Excavations have started in January and construction will be completed by July 2017. The new extension will also be directly linked to the packaging hall by means of a conveyor and a semi-automated racking system will be installed to efficiently maximise storage.

The second project which was completed in April is the replacement of the racking in the picking area with a new system that fully utilises the height of the warehouse to increase storage capacity, improve order picking and also reduce forklift movements in this area. These projects will ensure that Farsons' Logistics Department will meet future growth in the most efficient and effective way whilst containing cost, improving health and safety and maintaining a high level of quality.



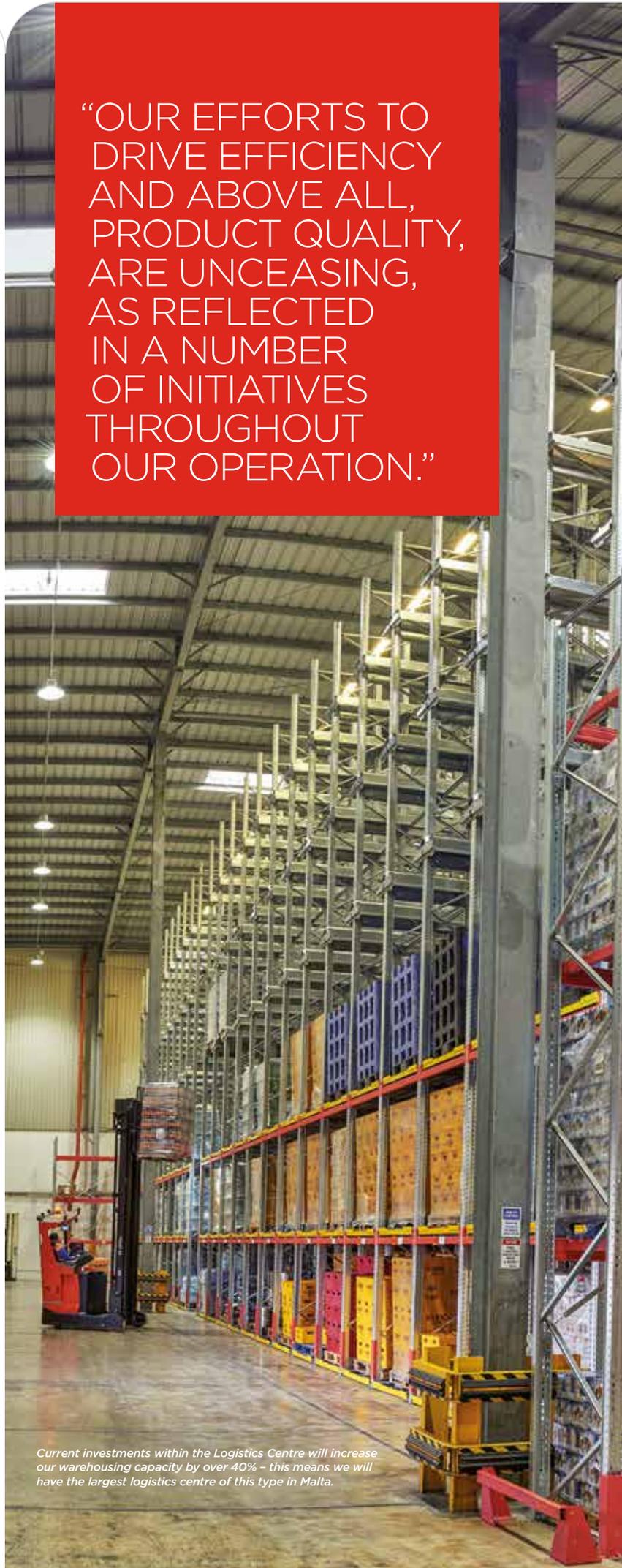
We have maintained our commitment towards quality management by strengthening our Quality Management team and ensuring good results from ongoing audits arising from our ISO 9001-2008 certification. Furthermore, we are proud of having maintained our Grade A status within our BRC certification. We also undergo audits by Pepsico, Carlsberg and AB In-Bev's Budweiser.

Our Group has therefore undertaken broad-ranging and strategically important investments which will now enable us to sustain our growth in the long term. Undaunted by the scale of challenges ahead, we are also embarking on a number of important initiatives to ensure that we continue to deliver, both in our domestic market, as evidenced across all operating units and subsidiaries, as well as internationally, as we continue to innovate and develop our beer brands.



Energy efficiency, responsible water management and the recovery of most of our packaging waste placed on the market remain important corporate objectives.

“OUR EFFORTS TO DRIVE EFFICIENCY AND ABOVE ALL, PRODUCT QUALITY, ARE UNCEASING, AS REFLECTED IN A NUMBER OF INITIATIVES THROUGHOUT OUR OPERATION.”



Current investments within the Logistics Centre will increase our warehousing capacity by over 40% – this means we will have the largest logistics centre of this type in Malta.



THE EVOLUTION OF A LEGEND

**INTRODUCING CISK PILSNER.
A LEGEND TO BE SAVOURED BY
THOSE WHO SEEK THE BEST.**

Cisk Pilsner is a premium pilsner combining a tradition of brewing excellence and passion with the finest quality Pilsen malt and Noble hops of the Saaz variety. Cool, crisp and immensely satisfying, and with an alcohol content of 5.5%,

Cisk Pilsner offers the discerning beer connoisseur a remarkably crisp and well-hopped flavour with a rich white head, a delicate bitterness and a superior aroma originating from the rich essential oils present in the Noble hops.

A true Pilsner of exceptional quality.



**INDEPENDENT BREWERS SINCE 1928
FINEST NOBLE INGREDIENTS**

Simonds Farsons Cisk

MARKET TRENDS AND DEVELOPMENTS - AN OVERVIEW

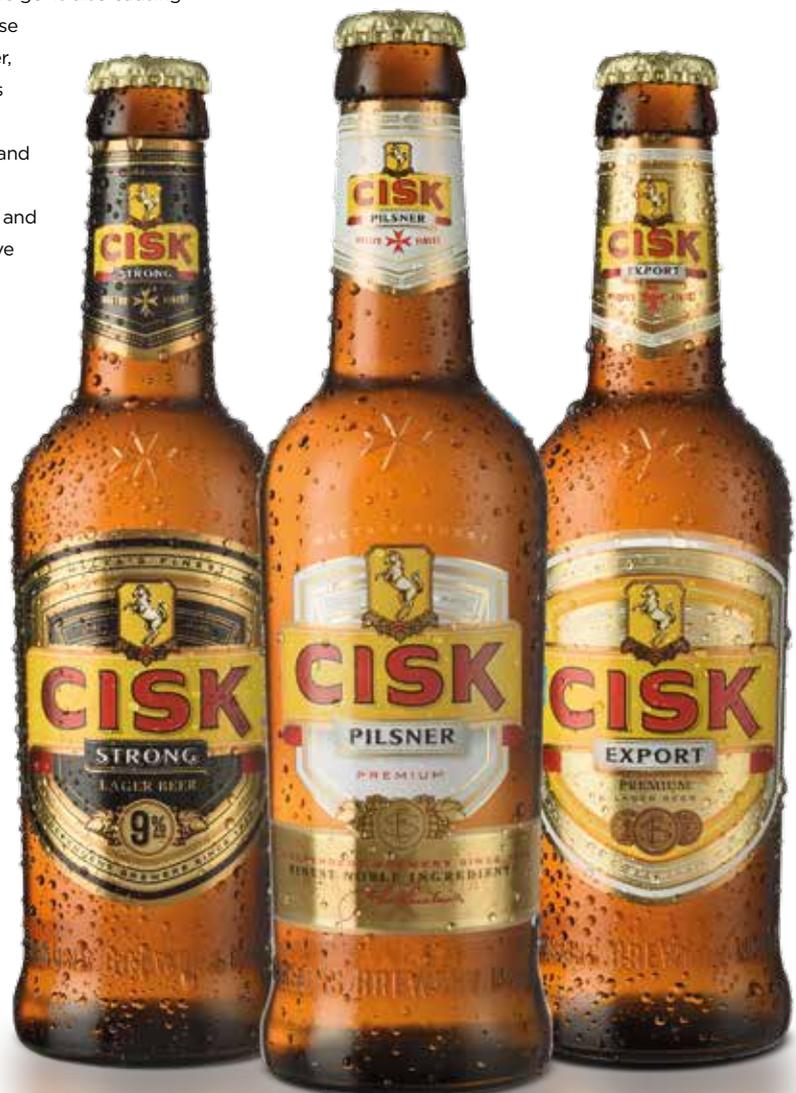
Many of the factors which shaped the beverage market in 2014 persisted well into 2015, the year under review, with perhaps more intensity. The economic and political uncertainty within the Mediterranean and North African region also had some influence on the local scenario. More specifically, the tourism industry in Malta once again posted record numbers throughout the year, and this in turn had a positive effect on many segments including the beverage market. Weather conditions also played their part, and the hotter summer months more than offset the average cooler temperatures recorded in the winter months.

The so called Millennials, consumers aged between 20 and 35, are a key target group for many brands in Farsons' beverage portfolio, and are shaping the way many fast moving consumer goods brands are being marketed and traded. Relatively more affluent than their predecessors, this generation comprises citizens of the Internet age. They seek brands which display authenticity, sustainability and values which they can align with. Paradoxically, whilst extremely brand aware, they are also ready to accept private label and discount products.

Consumers in Malta display similar traits, and there is also an increasing focus on wider health issues. It is in the context of this evolving and complex market reality that we realign our own product portfolio. A faster paced lifestyle lived more 'on the go' is also causing shifts in shopping trends, with a significant increase in demand for value added at all times and smaller, but more frequent, shopping baskets. The trade is likewise responding to these changing consumer trends and habits in order to remain competitive and relevant in the market place. This evolution in the market demands that we not only remain vigilant and informed, but more importantly ahead of the curve and quick to adapt to the changing beer market.



“A FASTER PACED LIFESTYLE LIVED MORE ‘ON THE GO’ IS ALSO CAUSING SHIFTS IN SHOPPING TRENDS, WITH A SIGNIFICANT INCREASE IN DEMAND FOR VALUE ADDED AT ALL TIMES AND SMALLER, BUT MORE FREQUENT, SHOPPING BASKETS.”



Our Cisk Specials – Cisk Strong, Cisk Export and Cisk Pilsner – looking great and poised for internationalisation

THE BEER MARKET

After a period of flat sales in many developed markets, including Malta, the beer sector is now exhibiting some growth, and developments are taking place as the industry responds to consumer needs and wants. The interest in craft beers continues, spurring a host of market innovation and consumers are truly curious and want to know the stories behind the brand. Successful brands tend to be authentic and 'local', with their own story to tell. Craft beers punch well above their weight in terms of volume and value and are therefore an attractive market development for both brand owners and the trade. This development is therefore welcome news in many markets, driving growth in otherwise stagnant conditions with many traditional mainstream brands in decline.

role in the development of the domestic beer market. The launch of a custom designed draught column, during the annual Farsons Beer Festival, marked a key moment in the year's calendar of events and was very well received by both consumers and the trade alike.

Cisk Excel, launched in 2007, remains Malta's only low-carbohydrate beer, and continues to exceed expectations and deliver growth year on year. This award-winning Cisk variant seems to have found favour with those beer consumers who appreciate the combination of a high-quality, great tasting and refreshing lager together with the 'better for you' attributes of the lower level of carbohydrates. The growing availability of Cisk Excel on draught has given it an added dimension and further strengthens this key brand.



These are all welcome developments for Farsons. Not only are we highly respected brewers with a unique tradition and heritage, but we now possess state-of-the-art brewing capabilities complemented by a brand new Beer Packaging Facility which enable us to compete internationally in a more competitive and strategic manner.

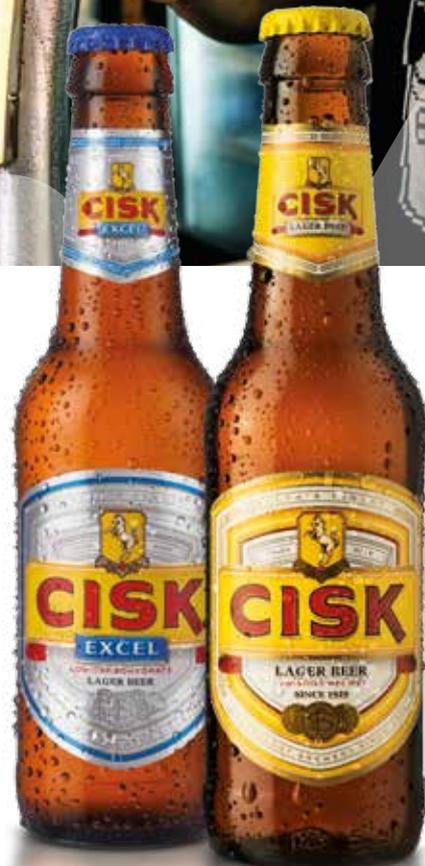
Cisk Lager, the flagship brand in our beer portfolio, once again posted positive results across all market segments and maintained its leadership position despite a fiercely competitive environment. Sporting a newly refined brand identity and backed by a full programme of marketing campaigns and innovative promotions, music and sports sponsorships, events and initiatives, this strategic brand played a key

role in the development of the overall strategy within the beer portfolio. Cisk Chill, a flavoured lager beer, was originally launched in 2012 with a lemon flavour, with its distinct clear bottle giving it a cool and refreshing unique identity. This innovative variant continues to be very well received by consumers who appreciate its fruity flavour which offers a twist on the more traditional beer taste. Cisk Chill is now available in lemon and berry flavour, in both glass bottles and also sleek cans, and its annual launch ahead of the peak summer weeks is a highly anticipated event by both trade and consumers.

“WE ARE HIGHLY RESPECTED BREWERS WITH A UNIQUE TRADITION AND HERITAGE AND POSSESS STATE-OF-THE-ART BREWING CAPABILITIES.”



MALTA'S  FINEST



REVIEW OF BUSINESS SECTORS: BEERS

Apart from our own portfolio of iconic Maltese beer brands, Farsons also represents global beers including Carlsberg, a truly global brand brewed by Farsons under license for well over 30 years. Positioned as 'Probably The Best Beer in the World', and recently taking on the sponsorship of the English Premier League, Carlsberg plays a significant and strategic role in the beer portfolio and is particularly sought after by tourists. Furthermore, it is now prestigiously positioned as the Official Beer of the UEFA EURO 2016 competition, with a number of high visibility promotions and events planned as the competition enters the final phase in June 2016.

Another key brand in our beer portfolio is Skol, also brewed by Farsons in collaboration with Carlsberg International. Successfully playing at the highly competitive and crowded value end of the price range, Skol has become a major player on the local beer market offering beer consumers a high quality lager at excellent value for money.



Carlsberg gears up for its "biggest ever" season of football sponsorship ahead of the Premier League and Euro 2016 championship, ramping up its football focused advertising strategy to ensure the brand is seen as the only beer of choice for fans of the sport.



UEFA
EURO2016
FRANCE

Official Beer



The Farsons Beer Festival continues to be a major annual calendar event.



The company's export sales performance for the year was encouraging, and almost at par with that of the previous year, despite the uncertainty and ensuing challenges faced in some important markets, particularly those in North Africa. That said, a number of new export markets in West Africa and South East Asia were successfully penetrated for the first time, and these may serve as a basis for future growth.

Positive sales momentum was also experienced in Italy, where the company's beer exports achieved double digit growth as Farsons' brand building initiatives in this market produce encouraging results.

Our combined exports to other established markets in Europe, Asia and Australia continue to hold their own. In line with our long-term strategy, further growth is envisaged once our new Beer Packaging Facility is fully operational.

In many respects, the year under review was one of further consolidation and preparation, as considerable resources were invested in formulating how best to continue to drive our export strategy going forward. This entails new product development and the creation of new brands which are being specifically developed for export markets.

“THE YEAR UNDER REVIEW WAS ONE OF FURTHER CONSOLIDATION AND PREPARATION, AS CONSIDERABLE RESOURCES WERE INVESTED IN FORMULATING HOW BEST TO CONTINUE TO DRIVE OUR EXPORT STRATEGY GOING FORWARD”.



Italian consumers respond positively to the Cisk range at the Vinitaly Fair



Farsons stand during Golositalia, Italy



Farsons stand during SIAL Shanghai, China



FARSONS CLASSIC BREWS INSPIRED BY TRADITION, BREWED WITH PASSION SINCE 1928

**OUR RANGE OF CLASSIC, CRAFTED,
ALES OPEN AN EXCITING NEW CHAPTER.**

As the craft beer revolution takes root in many markets, this movement is also aiding the revival of the more traditional ale segment, previously in decline for a number of years. Blue Label, one of the first brands in the Farsons' beer portfolio, is leading this revival on the local market and experiencing an increase in demand, appealing in particular to the more discerning beer consumers who seek out its smooth and distinctive taste and character.



Whilst it is important to have the latest technology and facilities, this is only part of the story – brewing skills, expertise and passion are the heart of Farsons' brewing heritage. This is a tradition which also has a great future, as the range of Farsons Classic Brews shows. Our range of carefully crafted beers meets the increasing interest in speciality brews and offers new generations of consumers the opportunity to experience tradition at its very best.

“OUR RANGE OF CAREFULLY CRAFTED BEERS MEETS THE INCREASING INTEREST IN SPECIALITY BREWS AND OFFERS NEW GENERATIONS OF CONSUMERS THE OPPORTUNITY TO EXPERIENCE TRADITION AT ITS VERY BEST.”





Taste More





SOFT DRINKS

Following full market liberalization in 2008, the local soft drinks market continues to face unprecedented challenges. Going forward, it is very clear that the rapidly evolving external environment will impact our business in one way or another. Changing demographics, value seeking consumers, evolving but disruptive technologies, an increasing focus on health and wellness, the changing retail landscape and the looming eventuality of more public policy and legislative measures, which do not exclude a 'sugar tax' as we have just seen being introduced in the UK, demand that we continue to evolve our non-alcoholic portfolio to ensure it remains relevant to consumers.

“KINNIE, OUR FLAGSHIP SOFT DRINK BRAND, CONTINUES TO INCREASE VOLUMES YEAR ON YEAR.”

The Face of Diet Kinnie saw over 200 hopefuls apply to win the 2016 title. Nicole Ebejer, Face of Diet Kinnie 2016, featured in Diet Kinnie's "I am Taste" campaign.

Notwithstanding these external pressures and influences, it is reassuring to note the positive results registered in this highly competitive market segment. Backed by a strong and effective calendar of innovative campaigns and consumer promotions, Kinnie, our flagship soft drinks brand, continues to stay ahead of the curve, increasing volumes year on year. The introduction of the mid-calorie variant Kinnie Vita in a 50cl bottle in 2014 was further complemented through the launch of the ever-popular 'family-sized' 1.5 Litre bottle in 2015. Kinnie Vita offers the more discerning health-conscious consumers the option to enjoy the great unique taste of Malta's favourite soft drink with only half the sugar content and calories when compared to a regular soft drink. 'Choose Your Kinnie' was one of the key campaigns which ran throughout most of the year under review. This campaign served to highlight the full range of the Kinnie variants available to consumers, offering choice and diversity depending on their preferences and requirements.



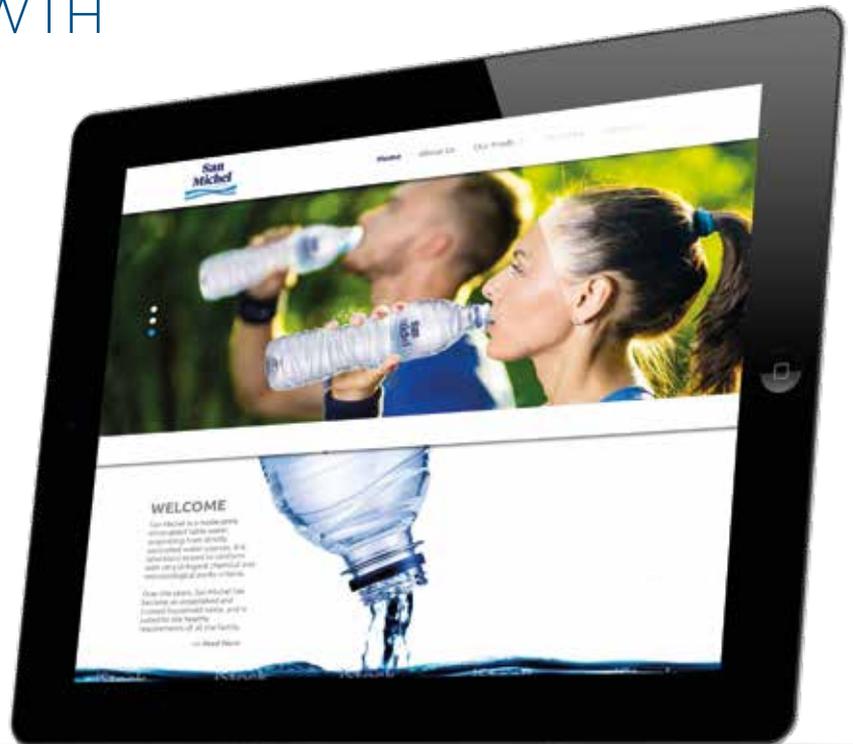
Kinnie, a Maltese success story that has always supported local talent, sponsors Red Electrick's third album – Inside You.





**THE VERY
BEST
PARTY
MIX**

“INNOVATION REMAINS ONE OF THE STRATEGIC PILLARS OF GROWTH FOR THE GROUP.”



San Michel launches a new website, designed with a fresh new look and user-friendly navigation and updated with the latest information about the whole San Michel portfolio.

The PepsiCo portfolio, consisting of Pepsi-Cola, 7-Up and Mirinda, also posted a good set of results, despite the aggressive and price-based competitive environment. As younger consumers spend more and more time online, it is only natural that digital campaigns and initiatives feature more regularly in our campaign calendars. In fact, the 'Pepsi Challenge', an initiative which ran on social media channels, successfully engaged with consumers in an innovative way and further reinforced the strong bond with younger consumers.

2015 was a very busy year for the lemon-lime brand 7-Up. A new brand look, borrowing strongly from the well-known vintage graphics of some years ago, was introduced ahead of the summer season, giving the brand a cleaner and bolder image. In line with global developments and consumer response, Diet 7-Up was rebranded and is now present on the market as 7-Up FREE, emphasizing that this variant is free from sugar, free from calories and free from colour. Finally, as we continue to better understand consumers' purchasing habits and preferences, the introduction of 'on-label' pricing on 7-Up 1.5 Litre bottles, served to ensure that our consumers continue to be well-served and informed at the point-of sale.

7Up remains a favourite with Maltese soft drink consumers.

As the consumer becomes less brand loyal, the trade more demanding and the possibility of legislative measures aimed at curbing the consumption of sugar-based drinks more likely, it is imperative that we remain nimble and informed.

Innovation remains one of the strategic pillars of growth for the Group. Going forward we will continue to focus on understanding consumer affordability, understanding promotional effectiveness, understanding the different shopper missions, and more importantly creating and developing brands which are in line with our consumers' needs and wants.





FARSONS BEVERAGE IMPORTS COMPANY (FBIC)

This has been a positive year for FBIC. Sales growth was registered throughout the portfolio of imported beverages as a result of a number of marketing and sales activities targeting different market segments.

Within our portfolio of imported beers, Corona performed particularly well, profiting from a strong programme of marketing and promotional activities.

Budweiser also plays a key role in the Company's beer portfolio. Truly global, and bottled by Farsons under licence from the leading global brewer AB-InBev, Budweiser remains one of the most globally recognized brands on the Maltese market.

Guinness also maintained a steady growth, promoted by the St Patrick's Day events which have become a major attraction to people in Valletta, St Julians and other localities. We have also increased our selection of craft beers.

We also strengthened our ciders portfolio by introducing new flavoured variants of Bulmers, which continued to drive the growth of this brand. Strongbow maintained its position as the leading brand in the ciders sector.

Our wine sales saw a positive increase too. A restructuring within our wines management team gave us more focus on the market while consolidating our back-office tasks. We added to our portfolio some highly-rated Italian wines from the Piemonte and Veneto - Elio Altare, Luciano Sandrone, Aldo Conterno and Giuseppe Quintarelli - which have been very well received by our discerning customers.

In the spirits sector, sales increases were achieved through organic growth as well as the introduction of new products. As from January 2015, Gruppo Campari entrusted FBIC with the representation of Frangelico and a marketing programme has been developed for this brand. In the whisky segment, we significantly increased our offering in order to satisfy more discerning clients. Both Famous Grouse and Ballantine's saw new introductions whilst we also continued to extend the range of The Macallan, The Glenlivet, The Dalmore and Isle of Jura, which have become leading brands amongst lovers of special whiskies. With Chivas Regal, we launched the new expression of the whisky, Chivas Extra, as well as promoted its latest limited edition tin, tied to the luxury Globetrotter range of luggage. Jameson's continued to consolidate its leading position within the Irish Whiskey category.



Farsonsdirect continues to attract a growing number of both private and trade customers.



“SALES GROWTH WAS REGISTERED THROUGHOUT THE PORTFOLIO OF IMPORTED BEVERAGES AS A RESULT OF A NUMBER OF MARKETING AND SALES ACTIVITIES.”

Aperol continued to grow at a strong rate, with Aperol Spritz becoming the most popular aperitivo in many outlets. The limited edition Absolut Elektrik bottle was the highlight of the marketing programme behind this iconic brand which strengthened its position as the leading premium vodka on the market. The ‘après-sea’ programme we developed for Jagermeister was extended, leading to increased sales and popularity for this cult product. Havana Club continued to grow its market share in the rum sector, while Cointreau benefitted very well from a new campaign focused on the core Cointreau Fizz cocktails.



A global brand that gives wings to FBIC's portfolio.

Budweiser - The official Beer of Beers and also a key player in our beer portfolio.

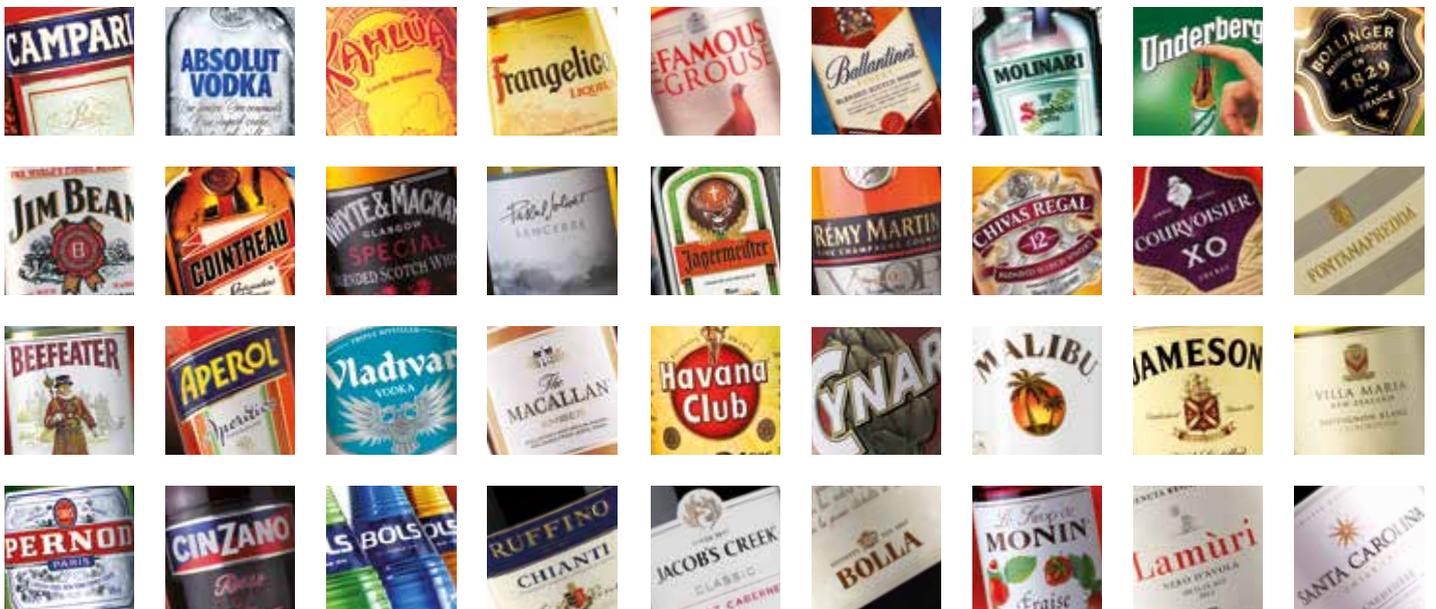


Our programme of wine-tasting events, both in restaurants and specialised retail outlets, was very successful, with many events being sold out within days. We also ran regular promotions in the major supermarkets which led to increased awareness and sales of our wine brands. Looking ahead, our key priority remains the increased availability on the Maltese market of the brands in our portfolio through the successful implementation of integrated sales and marketing programmes.

FARSONSDIRECT

Farsonsdirect has also had a good year. Sales have increased and we have continued to attract a growing number of both private clients and trade customers. Increased shelving within the wine shop has allowed for a better display of wines, leading to an improved shopping experience. The shop façade was given a much needed face-lift and now reflects the improvements which have been carried out internally.

We have increased our digital presence through our social media page and we have seen a growth in on-line sales through our website. Some works currently being undertaken will extend our warehousing capacity and allow for better presentation of shelving in the outlet.





“OUR KEY PRIORITY REMAINS THE INCREASED AVAILABILITY ON THE MALTESE MARKET OF THE BRANDS IN OUR PORTFOLIO THROUGH THE SUCCESSFUL IMPLEMENTATION OF INTEGRATED SALES AND MARKETING PROGRAMMES.”



Various events organised throughout the year included the launch of Chivas Regal Extra at Electro Lobster project, Jameson Irish Whisky at the St Patrick's Day celebration, the Aperol Spritz Summer Social and Campari at the Pink Fashion Show. These proved to be extremely successful in connecting with target consumers whilst providing great entertainment to all.



Campari hits the streets with a mobile bar unit, during Negroni week.

QUINTANO FOODS

In the food retailing business, competition continues to intensify, yet, nonetheless, Quintano Foods managed to achieve modest growth in its turnover even if contribution from a number of brands remained under pressure.

During the course of the year, efforts have been made to ensure that Quintano's brands would be made available in more retail stores especially those with growth potential. Throughout the year a number of marketing programmes aimed at ensuring greater visibility for the brands we represent were undertaken.

Further investment was also made in the warehousing and distribution department, where a number of changes in the management structure were made. Towards the end of the year, we secured the distributorship of the Star brand – an iconic brand within the Italian food business. This is a strategic brand which we have every intention to build. In the dairy and yogurt segment, ongoing efforts remain in place to continue to support our flagship brand Danone along with other dairy brands. The Greek yogurt range under the Mevgal brand name continues to register strong growth.

The snacks segment which includes brands like Walkers, Doritos, Snack A Jack, Popz and Acti-Snack, delivered double digit growth mainly driven by increased marketing initiatives and increased distribution efforts.

Given the potential of our business, some major changes within the management structure have taken place. Both our food companies, Quintano Foods and Food Chain have been placed under the responsibility of a Group Head of Food Business, John Bonello Ghio, formerly our General Manager at Foodchain. This has already started to give added focus and improved synergies within our food business.



A new addition to the Quintano Food brand portfolio.



“GIVEN THE POTENTIAL OF OUR BUSINESS, SOME MAJOR CHANGES WITHIN THE MANAGEMENT STRUCTURE HAVE TAKEN PLACE, THIS HAS ALREADY STARTED TO GIVE ADDED FOCUS AND IMPROVED SYNERGIES WITHIN OUR FOOD BUSINESS.”





FOOD CHAIN

Food Chain has continued with its expansion programme, with the opening of a new Burger King restaurant and the first KFC Drive Thru at the PAMA Shopping Village in Mosta, bringing our total restaurant count to fourteen.

Performance of all three franchise brands represented by Food Chain registered a significant improvement in performance over the previous year, with increases registered in both turnover and profitability.

“FOOD CHAIN HAS CONTINUED WITH ITS EXPANSION PROGRAMME, BRINGING OUR TOTAL RESTAURANT COUNT TO FOURTEEN.”





Burger King rolls out its 6th outlet in Malta with the opening of a restaurant at the PAMA Shopping Village in Mosta.



PIZZA HUT



Pizza Hut has continued to register same-store-sales growth, particularly driven by the delivery segment of the business where we have continued to invest in expanding the size of the delivery fleet to further improve our service levels and further reduce waiting times. During the year we embarked on a refurbishing programme of our dine-in restaurants. This remodelling was launched with the Sliema restaurant. This new contemporary streamlined and elegant design gives the restaurant a fresh modern look. The American rooted concept, blends European modernity with a touch of Italian pizzeria flair, offering diners the comfortable, casual dining experience synonymous with Pizza Hut. The restaurant's façade has also been refreshed, with Pizza Hut's iconic red candied roof now standing proudly in Bisazza Street.

We organised a number of promotions aimed at providing clients with value when visiting our restaurants. We also launched a number of new innovative products on a limited time offer which increased consumer interest in the brand and further stimulated demand.

BURGER KING



TASTE IS KING

Following the successful opening of the Drive Thru in Qormi in the previous financial year, the year under review was equally exciting, with the opening of our sixth restaurant. This is located on a busy thoroughfare leading to Mosta, within the PAMA Shopping Village. Styled in line with the '20/20 Light' concept from Burger King, this restaurant offers guests a relaxed dining environment in a contemporary setting. It also has a children's play area and a designated area for children's parties.

This year has been another milestone one for the brand, which has seen a marked increase in sales and market share following the opening of the high volume Qormi and Mosta restaurants. We have launched several initiatives throughout the year and embarked on a number of promotional campaigns which strengthen our presence on the market.

KFC



KFC has also had a positive year with substantial increases in both our Gzira and MIA outlets. Furthermore, towards the end of the financial year, we opened our first Drive Thru restaurant for this brand. This restaurant, also located within the PAMA Shopping Village offers ample indoor and outdoor seating and has its own children's play area. The design of this store is in line with KFC's new contemporary design which offers a modern yet warm dining environment. Initial response has been very encouraging with high sales being registered both within the restaurant itself as well as through the Drive Thru lane.

Further investment is also planned with the remodelling later this year of the Gzira outlet which will be extensively refurbished, bringing it in line with the new design of KFC Mosta. Throughout the year we launched a number of limited time offers as well as a number of box meals which have now become a regular item on our menu.



Malta's first ever KFC Drive Thru, now open at the PAMA Shopping Village in Mosta.



“THE CHALLENGES ARE FORCING US TO REVISIT OUR WAYS OF WORKING, NONETHELESS, WE REMAIN DETERMINED TO SUSTAIN THIS GROWTH”

During the financial year, EcoPure has improved its performance compared to previous years, with increased water and cooler sales across all customer segments which contributed to increased revenues. Though the warmer weather has played some part in increasing demand, the positive performance is mainly the result of our success in securing new client accounts in spite of stiff competition.

Our sales team designed packages specifically aimed at attracting different customer segments, backed by appropriate media campaigns, branding and promotional activities.

The launch of our new user-friendly website, towards the end of the year, has generated interest with clients opening new accounts and placing orders directly on-line. Water vendor routes are continually reviewed and revised in order to maximize sales per visit, thus allowing better utilization of resources enabling us to meet increased demand, whilst containing costs.

Going forward, we expect price competition to further intensify, which will place added pressure on our contribution. The challenges are forcing us to revisit our ways of working, nonetheless, we remain determined to sustain this growth by offering better value, along with convenient water supply packages with a high level of customer service and to restructure ourselves in whichever way necessary to ensure we maintain a competitive and efficient set up.



OUR VISION AND STRATEGIC OUTLOOK

As we continue to deliver the desired results, we need to keep our eyes on the horizon, to ensure that we make the most of opportunities which may arise, and that we are well prepared to face any upcoming challenges. Across the Group, we must keep our vision and strategic outlook aligned and focused towards attaining sustainable, profitable growth which will continue to be spearheaded through both our export drive and added focus on innovation.

“AS WE CLOSE OFF ANOTHER SUCCESSFUL YEAR, MY SIXTH AS GROUP CHIEF EXECUTIVE, IT IS IMPORTANT TO HIGHLIGHT THAT IT IS OUR PEOPLE, AT ALL LEVELS, WHO UNDERPIN OUR SUCCESS AND CONTINUE TO DRIVE OUR PROJECT FORWARD.”

The new financial year will be an important year for us as we now embark on our export strategy in a more prepared and meaningful way. Now that the investments, new product package launches and structures are in place, we need to translate this into results. Naturally, we will need some time to gain the desired momentum but we are determined to remain well on track with our ambitions for growth.

Our Group has a strong reputation of being a good corporate citizen, with all the responsibility that this entails. We are also known for our sound corporate governance and have every intention of actively building on this reputation. We have also earned a reputation for delivering consistent results, successfully living up to post-market liberalisation challenges.

In line with the strong entrepreneurial spirit that has always been Farsons' guide, we have never shied away from investments or from adapting to ensure that a robust, well structured, and competitive business model is maintained.

As with all businesses, our resilience is sometimes put to the test, but such situations have actually made us stronger. Our Group now comprises an impressive line-up of investments. Our extended corporate business model includes various subsidiaries within the food and beverage sector, owning or representing highly successful brands. Crucially, we now also have a track record of delivering consistently robust financial results.

As we close off another successful year, my sixth as Group Chief Executive, it is important to highlight that it is our people, at all levels, who underpin our success and continue to drive our project forward. Therefore, I cannot conclude, without expressing my gratitude to all for their support and collaboration.

I must start with our Chairman Louis A. Farrugia for his visionary guidance, along with all the Board of Directors for their constant support. Likewise, to all management with whom we have together actively pursued our set objectives, overcoming so many challenges and rising on top of the opportunities throughout the year. A word of gratitude also goes to all our workforce, for their dedication and commitment.

All this augurs well as we continue to set the pace and move ahead, filling us all with added determination.



Norman Aquilina *Group Chief Executive*
12 May 2016

TRIDENT DEVELOPMENTS LIMITED – PROPERTY MANAGEMENT

DURING THE FINANCIAL YEAR UNDER REVIEW, THE BOARD OF DIRECTORS TOGETHER WITH THE EXECUTIVE MANAGEMENT HAVE CONTINUED TO WORK ON THE RESTRUCTURING PROCESS IN ORDER TO SPIN-OFF PART OF THE PROPERTY INTERESTS FROM THE CORE BUSINESS ACTIVITIES OF THE FARSONS GROUP INTO A SEPARATE AND DISTINCT PROPERTY-FOCUSED PUBLIC LIMITED LIABILITY COMPANY.

PURPOSE

The Board believes that the spin-off is in the best interest of its business and its shareholders for the following reasons:

- i. it will separate, while rendering more transparent, the trading performances and respective intrinsic values of the fast moving consumer food and beverage businesses from that of the property business;
- ii. it will allow both companies to pursue their respective distinct strategies as separate entities while ensuring effective management focus on their businesses;
- iii. it will unlock the value attached to the property portfolio;
- iv. it will enable, if thought desirable, new investors, possibly with specific property expertise, to be brought into the property business;
- v. it will enable shareholders, at their sole discretion, to determine whether to remain participants in both businesses and to which extent.

The Board has analysed in detail the options available on how to allocate the property portfolio. It believes that the food and beverage business should retain the land and buildings at Mriehel that support the manufacturing and beverage importation operations, the iconic old brewhouse and other selected properties that, it is envisaged, may be required by the food and beverage business in the future.

THE COMPANY

Trident Developments Limited, a fully owned subsidiary of Simonds Farsons Cisk plc, shall eventually change its status to a public limited company. The main activity of the Company is that of acting as a property holding company including the investment in four subsidiary companies.

The properties to be owned by the holding company are mainly within prime sites and currently housing the following operations:

- a. Pizza Hut, in Bisazza Street, Sliema
- b. Pizza Hut, in South Street, Valletta
- c. Burger King, in Wilga Street, Paceville
- d. KFC, in Msida Road, Gzira
- e. Scotsman's pub, in St. George's Road, St. Julians
- f. Fresco's, limits of Sliema

SUBSIDIARY COMPANIES

Two new companies are currently in formation. Firstly, Farsons Business Park Limited will own the brewery façade and will be entrusted to carry out the development of the offices complex and car park. Secondly, Trident House Limited will own over 12,000m² of land in Marsa, part of which is currently housing the operations of the food importation arm and the head office of the franchised food business.

The other two subsidiaries are Mensija Catering Company Limited which holds an emphyteutical concession related to a property in St. Julians, currently operated as Pizza Hut and Sardinella and Sliema Fort Company Limited that owns the title of a lease relating to Sliema Fort Point Battery, otherwise known as Il-Fortizza.

Implementation of the above corporate structure is envisaged to be in place by the end of 2016.

It is the intention of the Board to issue a number of ordinary shares in the property company that would equate to the same number of ordinary shares in issue under Simonds Farsons Cisk plc. A dividend *in specie* would then be paid out to the current shareholders, and hence each shareholder would receive an equivalent number of shares in a newly listed company.

FORMAL APPROVAL

The Board will be presenting to the shareholders the formal request to approve the spin-off during the June 2017 General Meeting. If such approval is forthcoming, an application will be immediately submitted to the Listing Authority for an eventual listing on the Malta Stock Exchange by the end of the year.

The Board is also seeking to obtain formal approval from tax authorities in order to ensure that the proposed division of the group into two listed companies does not trigger off income tax and stamp duty charges which would make the proposed restructuring unfeasible. As has been amply explained, this transaction is being carried out for bona fide reasons as set out above.



FARSONS GROUP
Trident
PROPERTY MANAGEMENT



Burger King, Paceville



Pizza Hut, Sliema



KFC, Gzira



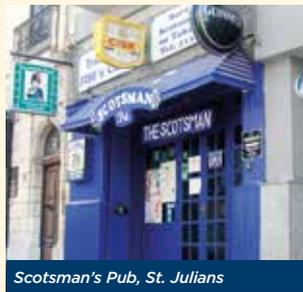
Il-Fortizza, Sliema



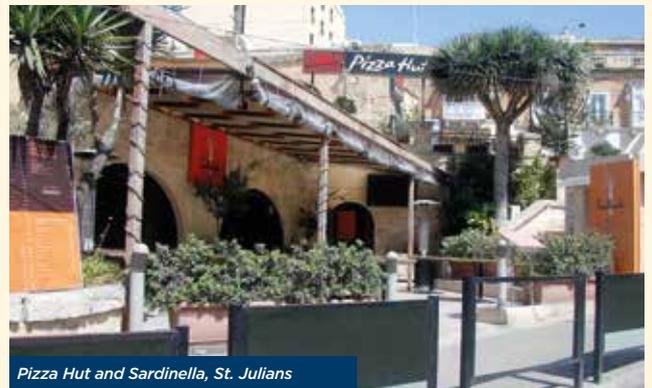
Pizza Hut, Valletta



Fresco's, Sliema



Scotsman's Pub, St. Julians



Pizza Hut and Sardinella, St. Julians



Trident House, Marsa

THE FARSONS BUSINESS PARK

THE BOARD BELIEVES THAT THE FARSONS BUSINESS PARK DEVELOPMENT WILL BE AN EXEMPLARY TRANSFORMATION OF A MAGNIFICENT LISTED INDUSTRIAL BUILDING THAT WILL PROVIDE OUTSTANDING CONTEMPORARY WORK AND PUBLIC SPACES.

The project is designed by an international firm of architects, Ian Ritchie Architects Ltd, with the support of a local architecture firm, TBA Periti, and assisted by a multi-disciplinary team of local and international experts and consultants.

The driving philosophy behind the Farsons Business Park project is to convert, rehabilitate and re-utilise the listed grade 2 Mriehel brewery site. All the components will remain mostly unaltered and the special interest interiors will be professionally restored. Great care has been taken to retain the integrity and unique aesthetic quality of the structures and the surrounding built environment while the important historical sight-line between Valletta and Mdina shall not be compromised.

The Business Park shall consist of five recessed storeys and seven low density office blocks all of which will be intersected by gardens inspired by the traditional character of Maltese palaces.

The development aims to celebrate Maltese industrial heritage while establishing itself as the first local example of a listed 'industrial' building converted for modern day workspace and public re-use. The design seeks to reduce the environmental footprint to a minimum and set new green local standards and best practices for workspace environments through the application of new technologies for the cooling and heating of the proposed buildings.

The project will commence with the old brewhouse development within 2017. The development of the façade is scheduled to commence during the second half of 2017 to be completed by 2020. The development will contain 18,500 square metres of lettable office space, food and beverage facilities and visitors' attractions besides other amenities.

An energy efficient multi-storey carpark, which will provide shading to around 700 vehicles, also forms part of the development.

FUNDING

Currently, the Board is also evaluating a number of funding options to ensure that both the food and beverage business and the property business will have adequate funding and appropriate levels of gearing, taking into account the substantial investment programmes.

MRIEHEL FOUNDATION

In March 2016, eighteen companies that are operating from within the Mriehel industrial estate have joined forces with Government to set up a foundation tasked with embellishing the Mriehel area and transforming it into a modern business centre. With a substantial level of private investment currently planned for the wider area, the Company believes that a longer term vision for Mriehel should be defined to improve the quality of the surrounding environment to further attract both local and international investment.

Louis A. Farrugia has been elected chairman of the Mriehel Enterprise Foundation for an eighteen month term commencing March 2016.





DIRECTORS, BOARD COMMITTEES, GROUP EXECUTIVES & SENIOR MANAGEMENT

THE BOARD OF DIRECTORS

Louis A. Farrugia - *Chairman*
 Marcantonio Stagno d'Alcontres - *Vice-Chairman as from 1 August 2015*
 Roderick Chalmers
 Michael Farrugia
 Dr Max Ganado
 Marina Hogg
 Marquis Marcus John Scicluna Marshall
 Baroness Christiane Ramsay Pergola - *(as from 1 July 2015)*
 Vincent Curmi - *(up to 1 July 2015)*
 Antoinette Caruana - *Company Secretary*

GROUP EXECUTIVE BOARD

Louis A. Farrugia - *Chairman*
 Norman Aquilina - *Group Chief Executive*
 Antoinette Caruana - *Group HR Manager and Company Secretary*
 Michael Farrugia - *Chief Business Development Officer*
 Ray Sciberras - *Chief Operations Officer*
 Charles Xuereb - *Chief Financial Officer*
 John Bonello Ghio - *Group Head of Food Business (as from 1 August 2015)*
 Arthur Muscat - *Secretary*

SENIOR MANAGEMENT BOARD

Norman Aquilina - *Group Chief Executive*
 John Bonello Ghio - *Group Head of Food Business (as from 1 August 2015)*
 Chris Borg Cardona - *Head of Logistics*
 Antoinette Caruana - *Group HR Manager and Company Secretary*
 Stefania Calleja - *Head of Sales and Customer Relations*
 Eugenio Caruana - *Head of Production*
 Claudio Farrugia - *General Manager Quintano Foods Limited (up to 29 February 2016)*
 Michael Farrugia - *Chief Business Development Officer*
 Philip Farrugia - *Head of IT and Business Services*
 Ray Sciberras - *Chief Operations Officer*
 Pierre Stafrace - *General Manager Farsons Beverage Imports Company Limited*
 Stephen Sultana - *Head of International Business Development*
 Susan Weenink - *Head of Marketing and Communications*
 Charles Xuereb - *Chief Financial Officer*

CORPORATE GOVERNANCE COMMITTEE

Marcantonio Stagno d'Alcontres - *Chairman*
 Marquis Marcus John Scicluna Marshall
 Marina Hogg - *(as from 1 August 2015)*
 Dr Max Ganado
 Vincent Curmi - *(up to 1 July 2015)*

RELATED PARTY TRANSACTIONS COMMITTEE

Dr Max Ganado - *Chairman*
 Roderick Chalmers - *(as from 1 August 2015)*
 Marquis Marcus John Scicluna Marshall
 Vincent Curmi - *(up to 1 July 2015)*

NEW VENTURES/ACQUISITIONS/MERGERS COMMITTEE

Dr Max Ganado - *Chairman*
 Michael Farrugia - *(as from 1 August 2015)*
 Marina Hogg - *(as from 1 August 2015)*
 Marquis Marcus John Scicluna Marshall - *(as from 1 August 2015)*
 Marcantonio Stagno d'Alcontres - *(up to 1 August 2015)*
 Vincent Curmi - *(up to 1 July 2015)*

BOARD PERFORMANCE EVALUATION COMMITTEE

Marquis Marcus John Scicluna Marshall - *Chairman*
 Michael Farrugia
 Dr Max Ganado
 Marina Hogg - *(as from 1 August 2015)*
 Marcantonio Stagno d'Alcontres - *(up to 1 August 2015)*

REMUNERATION COMMITTEE

Louis A. Farrugia - *Chairman*
 Roderick Chalmers
 Marquis Marcus John Scicluna Marshall - *(as from 1 August 2015)*
 Marcantonio Stagno d'Alcontres - *(as from 1 August 2015)*
 Vincent Curmi - *(up to 1 July 2015)*
 Marina Hogg - *(up to 1 August 2015)*

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

Roderick Chalmers - *Chairman (as from 1 August 2015)*
 Marina Hogg
 Marquis Marcus John Scicluna Marshall
 Marcantonio Stagno d'Alcontres - *(as from 1 August 2015)*
 Dr Max Ganado - *(up to 1 August 2015)*
 Vincent Curmi - *(up to 1 July 2015)*

FARSONS FOUNDATION BOARD OF TRUSTEES

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

Simonds Farsons Cisk plc

Annual Report **2015/16**

Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2016

DIRECTOR'S REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2016.

Principal activities

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

Review of the business

TRADING PERFORMANCE

The Board of Directors is pleased to announce the Farsons Group's financial results for the year ended 31 January 2016.

The Group recorded a profit of €11.2 million for the financial year ended 31 January 2016, equivalent to an increase of €3.2 million or 40% over the previous financial year. Pre-tax profit from continuing operations was €10.1 million, an improvement of 23% over the same period ended January 2015.

Group turnover reached €85 million, a growth of 7% over previous financial year. Operating profit increased by €1.8 million to exceed €11.4 million whilst overheads were contained at 87% of the Group's turnover, representing an improvement of 1.3 percentage points on January 2015.

EBITDA amounted to €18.7 million, an increase of €1.5 million over last year, in line with the strong results for the financial year. The gearing ratio as at year end stood at 18% compared to 16% at end of January 2015. The Group's statement of financial position remains very robust and shareholders' equity continued to improve and exceeded €109 million.

INFLUENCING FACTORS AND SEGMENTAL PERFORMANCE

A number of factors have influenced the performance of the Group in the year under review. As reported by the National Statistics Office, during 2015, the Maltese economy recorded a strong performance with a real GDP growth of 6.3 per cent, while private consumption grew by 5.1 per cent over the previous year.

The tourism industry in Malta once again broke all records and this, in turn, had a positive effect on the performance of our business segments, including the beverage market. The favourable weather conditions throughout the year were another factor that positively impacted the results through higher consumption levels from locally based consumers.

The brewing and bottling business continued to register growth in both turnover and profitability with our flagship brands, Cisk and Kinnie, posting solid performances and contributing significantly to the overall performance of the company. The results were also driven by a balanced execution of the Group's commercial agenda and productivity programmes.

The beverage importation arm has also registered a remarkably good performance with revenue growth registered across its diverse portfolio, partly as a result of a number of marketing and sales activities targeting different market segments, as well as the launch of new products. The Group's own retail outlet, Farsonsdirect, has also registered growth in sales, with the outlet attracting a growing number of both private clients and trade customers.

Targeted measures have been taken to address the relatively poor performance of the food importation arm. Although the company continued to face challenges during the year under review in the light of continued intense competition within the sector, positive and encouraging results are currently being registered. The impact is expected to be reported in the forthcoming financial year.

The franchised food business also registered an encouraging performance with growth in both turnover and profitability. The full year's performance of the Qormi Burger King drive-thru restaurant had a significant positive impact on the financial results of this division.

INVESTMENTS

The new beer packaging facility project is reaching its final stages of completion. While the official inauguration of the investment in this facility is planned for September 2016, beer packaging in the new facility is already underway. It is envisaged that the benefits from this €27 million investment will start to be realized during the second half of 2016. Furthermore, it is believed that this major investment will enable the Group to implement a broader and more ambitious export strategy.

Moreover, construction works on the expansion of the logistics and warehousing operations, together with the extension of an additional two floors on top of the administration offices, are currently ongoing. This is in line with the Group's objectives of meeting the future planned growth of the export business together with enabling the Farsons Business Park project to commence. These developments and related investments are expected to cost €10 million, and are scheduled to be completed by August 2017.

Two restaurants, including a KFC® drive-thru in Mosta, were officially opened in 2016. This business now incorporates 14 restaurants spread across three international franchises.

PROPERTY INTERESTS

Spin-off

The Board has continued to firm up on its intent to hive off a number of properties and eventually 'spin-off' part of the Group's property interests from the existing core business activities into a separate and distinct property-focused public limited liability company that will be listed on the Malta Stock Exchange. The results of this segment continue to be disclosed as a discontinued operation, while the related assets and liabilities are being classified as held for sale.

The Board will be presenting to the shareholders the formal request to approve the spin-off in the June 2017 Annual General Meeting and, if such approval is forthcoming, shall apply for listing on the Malta Stock Exchange by the end of that year.

Farsons Business Park

A further intensive effort has been made over the past year on the design of the Farsons Business Park development. When completed, the project is expected to result in an investment of €60 million by the Group and will contain 18,500 square metres of lettable office space, food and beverage facilities, visitor attractions, a gym and a multi-level carpark with capacity for 700 vehicles. The professional fees on this project incurred to date are being accounted for under discontinued operations. Going forward, costs of a similar nature will be capitalized as part of the cost of the proposed development.

The project will commence with the old brewhouse development during 2017 with the project to be completed by 2020.

Changes to the capital gains tax rules

The effect of the changes to the taxation rules on capital gains as announced within the Government Budget Speech for fiscal year 2015 are being reflected in the results under review. The net impact of these changes on the deferred tax liability attributable to the fair valuation of Group properties amounts to a reduction in the required deferred tax provision. €1.78 million of the deferred tax reduction has been reflected in the consolidated income statement under discontinued operations. A further amount of €1.07 million relating to property, plant and equipment has been adjusted through equity.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2017

Market conditions within the soft drinks market are not expected to substantially change in the short to medium term. The market continues to evolve towards increased focus on wider consumer health issues that, together with a faster-paced lifestyle, is causing constant shifts in consumer trends. Top-line growth in soft drinks remains under pressure and changes in consumer preferences offer challenges, but also opportunities, in equal measure that the Group is addressing accordingly.

In line with international trends, the craft beers segment is also achieving increasing market share. Within this market context, the Group will continue to realign its product portfolio through innovation and further development of our own beer brands, particularly in view of the Group's export growth strategy. The new Beer Packaging investment will facilitate this development.

While competition remains fierce and growing, the Board believes that the Group is adequately positioned to offer the required resilience while

being able to respond effectively and proactively to an evolving and increasingly complex market dynamics, both locally and overseas.

DIVIDENDS AND RESERVES

The income statements are set out on page 53.

The Board declared a net interim dividend of €1,000,000, which was paid on 20 October 2015 to the ordinary shareholders, and will recommend the payment of a final dividend of €2,200,000 at the Annual General Meeting scheduled for 28 June 2016.

The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 30 June 2016 (also out of tax exempt profits) to those shareholders included on the Register of Members of the Company as at 27 May 2016. As a result, total declared dividends relating to the financial year ended 31 January 2016 shall equate to €3,200,000 (2015: €3,000,000).

Retained profits carried forward at the reporting date amounted to €47,273,000 (2015: €38,864,000) for the Group and €43,609,000 (2015: €36,083,000) for the Company.

DIRECTORS

The directors who held office during the year were:

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

Mr Vincent Curmi C.P.A. – Vice-Chairman (until 1 July 2015)

Mr Marcantonio Stagno d'Alcontres – Vice-Chairman as from 1 August 2015

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.)

Baroness Christiane Ramsay Pergola (as from 1 July 2015)

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

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

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

The financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2016 are included in the Annual Report 2016, 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 2016, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the annual report includes a fair review of the development and performance of the business and the position of the group and the parent company, together with a description of the principal risks and uncertainties that the group and the parent company face.

GOING CONCERN BASIS

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

SHAREHOLDER REGISTER INFORMATION PURSUANT TO LISTING RULE 5.64

Share capital information of the company is disclosed in note 14 of the financial statements on page 76.

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

By order of the board



Louis A. Farrugia
Chairman

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

Antoinette Caruana *Company Secretary*

12 May 2016

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

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

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

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

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

It is hereby declared that, as at 31 January 2016, 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.



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 in 1948 as a public limited liability company, SFC has always adhered to generally accepted standards of good corporate governance encompassing the requirements for transparency, proper accountability and the fair treatment of shareholders. The board of directors has therefore endorsed the code of principles and adopted it.

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

B. Compliance with the code

PRINCIPLE 1: THE BOARD

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

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

Directors are provided prior to each meeting with the necessary information and explanatory data as may be required by the

particular item on the agenda. Comprehensive financial statements are also provided every month. The company has its own legal advisors, both internal and external. The directors are entitled to seek independent professional advice at any time at the company's expense where necessary for the proper performance of their duties and responsibilities.

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

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE

The statute of SFC provides for the board to appoint from amongst its directors a chairman and a vice-chairman.

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

In December 2001, the board established a Group Executive Board (GEB) to ensure effective overall management and control of group business and proper co-ordination of the diverse activities undertaken by the various business units and subsidiaries which make up the group. The GEB is responsible:

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

All members of the GEB itself are senior SFC executives with experience of the group's business and proven professional ability, and each has a particular sphere of interest within his competence. The company's current organisational structure includes a Chairman of the GEB and a Group Chief Executive, two positions which are occupied by Mr Louis A. Farrugia and Mr Norman Aquilina respectively.

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

The Group Chief Executive chairs a Farsons Group Management Meeting on a weekly basis, during which operational issues on a company and group basis are discussed. The company has an Operations Board which discusses operational issues on a monthly basis, a Group Receivables Review Board which monitors the collection of receivables, and a Quality Board which monitors quality levels and controls. These boards are composed of executive managers of the group. Each subsidiary has its own management structure and accounting systems and internal controls, and is governed by its own board, whose members comprise SFC directors and/or representatives of the GEB, and/or senior management of SFC.

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

PRINCIPLE 3: COMPOSITION OF THE BOARD

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

Executive Directors

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

Non-Executive Directors

Mr Vincent Curmi C.P.A. – Vice-Chairman (until 1 July 2015)

Mr Marcantonio Stagno d'Alcontres – Vice-Chairman as from 01 August 2015

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.)

Baroness Christiane Ramsay Pergola (as from 1 July 2015)

The Group Chief Executive attends all board meetings, albeit without a vote, in order to ensure his full understanding and appreciation of the board's policy and strategy, and so that he can provide direct input to the board's deliberations.

The board considers that the size of the board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the company and its operations. The combined and varied knowledge, experience and skills of the board members provide a balance of competences that are required, and add value to the functioning of the board and its direction to the company.

It is in the interest of each of the three major shareholders (who are the original promoters of the company) to nominate as directors

knowledgeable, experienced and diligent persons. Apart from this, informal arrangements, which do not infringe on their rights as shareholders, exist for consultation prior to any changes in the membership of the board, as well as to assist in the identification of suitable persons who can be nominated for election by the other shareholders at general meetings, and who can bring in an independent viewpoint and particular knowledge to the deliberations of the board.

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

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

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

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

Meetings held: 14

Members Attended

Mr Louis A. Farrugia (Chairman)	14
Mr Vincent Curmi (up to 1 July 2015)	7
Mr Marcantonio Stagno d'Alcontres	13
Marquis Marcus John Scicluna Marshall	12
Dr Max Ganado	12
Mr Roderick Chalmers	13
Ms Marina Hogg	14
Mr Michael Farrugia	14
Baroness Christiane Ramsay Pergola (as from 1 July 2015)	7

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

- reviewing and approving the business plan and targets that are submitted by management, and working with management in the implementation of the business plan;
- identifying the principal business risks for the group and overseeing the implementation and monitoring of appropriate risk management systems;

- ensuring that effective internal control and management information systems for the group are in place;
- assessing the performance of the group's executive officers, including monitoring the establishment of appropriate systems for succession planning, and for approving the compensation levels of such executive officers; and
- ensuring that the group has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

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

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

Board Committees

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

Corporate Governance Committee is presided over by a non-executive director. Its terms of reference are to monitor, review and ensure the best corporate practices and report thereon to the board. Directors and senior officers who want to deal in the company's listed securities, are obliged to give advance notice to the board through the chairman (or in his absence to the secretary of the board) and records are kept accordingly.

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

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

The **Audit Committee's** primary objective is to assist the board in fulfilling its oversight responsibilities and to give advice on the effectiveness of the internal control systems and procedures, accounting policies, management of financial risks, financial reporting processes, as well as compliance with regulatory and legal requirements.

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

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

Throughout the year ended 31 January 2016, the Audit Committee held five meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the Group Internal Auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

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

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

A group internal audit department was established in 1993 and has an independent status within the group. In fact, the Group Internal Auditor reports directly to the Audit Committee and has right of direct access to the chairman of the committee at all times.

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

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

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

PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

The Group Chief Executive is appointed by the board and enjoys the full confidence of the board. The Group Chief Executive, although responsible for the recruitment and selection of senior management, consults with the board on the appointment of, and on a succession plan for, senior management. Training (both internal and external) of management and employees is a priority, coordinated through the company's Human Resources Department.

On joining the board, a director is provided with briefings by the Chairman and the Group Chief Executive on the activities of the company's business areas. Furthermore, all new directors are offered a tailored induction programme.

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

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required.

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

The chairman ensures that board members continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company provides the necessary resources for developing and updating its directors' knowledge and capabilities.

The company secretary is responsible for advising the board through the chairman on all governance matters.

PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE

In 2009, a **Board Performance Evaluation Committee** chaired by a non-executive director, was set up. Its role is to deal with the board's performance evaluation and identify ways how to improve the board's effectiveness.

The evaluation exercise is conducted every 2 years through a Board Effectiveness Questionnaire prepared by the company secretary in liaison with the chairman of the committee. The company secretary discusses the results with the chairman of the committee who then presents the same to the board together with initiatives undertaken to improve the board's performance. During the intermediate year, the chairman undertakes to assess whether shortcomings identified during the board performance evaluation process have been addressed and reported accordingly to the board. The latest review has not resulted in any material changes in the company's internal organisation or in its governance structures. The non-executive directors are responsible for the evaluation of the chairman of the board.

PRINCIPLE 8: COMMITTEES

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

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

Every shareholder owning twelve and a half percent (12.5%) ordinary issued share capital or more, is entitled to appoint and replace a director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 87), normally each appoint two directors for a total of six, the remaining two directors then being elected by the general public shareholders. Accordingly, no individual or small group of individuals will be in a position to dominate the board. The interests of the directors in the shares of the company are disclosed in this annual report.

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

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

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

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

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

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

The chairman and the group chief executive also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

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

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

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

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

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

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

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

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

PRINCIPLE 11: CONFLICTS OF INTEREST

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

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

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

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

The directors' interests in the share capital of the company as at 31 January 2016 and as at 12 May 2016 are disclosed in the Shareholder Information.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

The principle objective of the company's commitment to Corporate Social Responsibility (CSR) is to provide support where possible in aspects that include social, occupational, financial, cultural and historical values. Having been in existence for more than 80 years, the company is very much rooted in local culture and as a company it endeavours to meet the expectations of the community by engaging among a host of other initiatives in the following:

- Corporate Social Responsibility (CSR) Day initiative – Together with other sponsoring companies employees volunteer to carry out turnkey projects involving one day's work during a public holiday;
- Sponsorships of major charitable events on a national level;
- Promoting the industrial heritage of the Maltese Islands;
- Co-operating with the University of Malta particularly in the areas of engineering, the built environment and history;
- Participation in recognised national student-exchange programmes for the benefit of local and foreign students;
- Assisting with environmental projects;
- Waste and energy conservation initiatives and policies;
- Liaising with NGOs and the provision of employment opportunity for groups of people with a disability on a yearly basis;
- Assisting employees encountering medical problems with obtaining overseas medical treatment;
- Supporting employees with a home loan interest subsidy scheme;
- Employee Assistance Programmes for employees needing support, rehabilitation, counselling and advice;
- The Farsons Foundation which was established in 1995 promotes and supports local initiatives and considers requests from a social, cultural and historical perspective at no commercial gain for the company. The Foundation is entirely funded by subventions authorised by the SFC board. The aims of the Foundation are to:
 - promote and assist the development and public manifestation of Maltese culture especially in the fields of art, music, literature and drama;
 - contribute research projects and assist in the publication of studies undertaken by any duly qualified person or persons, regarding Maltese disciplines relating to art, music and drama;
 - provide assistance to talented Maltese to enable them to obtain higher professional standard than those that can be obtained locally in disciplines relating to art, music and drama;
 - contribute by means of financial assistance towards the work of any private, voluntary and non-profit organisation or religious body engaged principally in fostering social solidarity.

C. Non-compliance with the code

PRINCIPLE 4 (CODE PROVISION 4.2.7):

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

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

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.

Approved by the board of directors on 12 May 2016 and signed on its behalf by:



Louis A. Farrugia
Chairman

E. General meetings

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

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

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

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

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

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



Marcantonio Stagno d'Alcontres
Vice-Chairman

REMUNERATION REPORT

1. Terms of Reference and Membership

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

2. Meetings

The Remuneration Committee met twice during the financial year ended 31 January 2016.

3. Remuneration Statement

3.1 SENIOR EXECUTIVES

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

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

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

The Remuneration Committee is required to evaluate, recommend and report on any proposals made by the group human resources manager relating to management remuneration and conditions of service. The committee considers that the current executive management remuneration packages are based upon the appropriate local market equivalents, and are fair and reasonable for the responsibilities involved. The committee also believes that the remuneration packages are such

as to enable the company to attract, retain and motivate executives having the appropriate skills and qualities to ensure the proper management of the organisation.

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

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

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

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

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

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

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

3.2 DIRECTORS

The board is composed exclusively of executive and non-executive directors. The determination of remuneration arrangements for board members is a reserved matter for the board as a whole, following the submission of recommendations by the committee.

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

Except for the chairman and for Mr Michael Farrugia no other director is employed or has a service contract with the company or any of its subsidiaries.

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

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

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

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

In terms of a recommendation by the Remuneration Committee and which was subsequently approved by the Board of Directors, directors appointed to the committees of the Board shall be entitled to specific remuneration as from 1 February 2016. The introduction of specific remuneration is subject to the approval of an increase in the maximum annual aggregate emoluments that may be paid to directors, by the General Meeting.

3.3 TOTAL EMOLUMENTS

The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in the Annual General Meeting in terms of Article 81(i) of the company's Articles of Association. This amount was fixed at an aggregate sum of €500,000 per annum at the 64th Annual General Meeting held on 23 June 2011.

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

Directors' fees	€192,000
Directors' other emoluments	€238,000
Directors' salary	€58,000

The Board also approved the granting of a one time gratuity payment of €125,000 to the former Vice Chairman after the completion of 37 years of valid service in the post. This amount will only be paid following its ratification at the forthcoming Annual General Meeting.

Variable and Non Variable Emoluments of Directors and Senior Management

	Fixed Remuneration	Variable Remuneration	Share Options	Others
Senior Management	410,000	152,000	None	Non-cash benefits referred to above under 3.1
Directors	445,000	43,000	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 Financial Statements for the year ended 31 January 2016

We have audited the consolidated and stand-alone parent company financial statements of Simonds Farsons Cisk plc (together the "financial statements") on pages 51 to 88, which comprise the consolidated and parent company statements of financial position as at 31 January 2016, and the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 39, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and the parent company as at 31 January 2016, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Other Legal and Regulatory Requirements *Report on the statement of compliance with the Principles of Good Corporate Governance*

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

The Listing Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the directors.

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

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

In our opinion, the Corporate Governance Statement set out on pages 41 to 46 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Matters on which we are required to report by exception

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

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

Under the Listing Rules, to review the statement made by the directors, set out on page 40, that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PricewaterhouseCoopers
78 Mill Street,
Qormi, Malta



Simon Flynn *Partner*

12 May 2016

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2016	2015	2016	2015
	Notes	€'000	€'000	€'000	€'000
Non-current assets					
Property, plant and equipment	5	89,983	80,170	74,577	65,643
Intangible assets	7	658	718	-	-
Investments in subsidiaries	8	-	-	13,706	13,706
Deferred tax assets	21	4,210	1,693	5,153	3,205
Trade and other receivables	12	2,757	1,392	2,757	1,392
Total non-current assets		97,608	83,973	96,193	83,946
Current assets					
Inventories	11	12,334	11,117	6,838	6,425
Trade and other receivables	12	18,495	16,631	16,676	15,729
Current tax assets		133	344	-	-
Cash and cash equivalents	13	2,445	4,505	692	2,870
Total current assets		33,407	32,597	24,206	25,024
Non-current assets classified as held for sale	24	31,558	33,041	19,478	20,559
		64,965	65,638	43,684	45,583
Total assets		162,573	149,611	139,877	129,529

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2016	2015	2016	2015
	Notes	€'000	€'000	€'000	€'000
Capital and reserves attributable to owners of the company					
Share capital	14	9,000	9,000	9,000	9,000
Revaluation and other reserves	16, 17	54,105	53,221	44,961	46,121
Hedging reserve	18	(919)	(850)	(919)	(850)
Retained earnings		47,273	38,864	43,609	36,083
Total equity		109,459	100,235	96,651	90,354
Non-current liabilities					
Provisions for other liabilities and charges	21, 22	54	101	54	101
Trade and other payables	23	1,184	1,593	1,184	1,593
Derivative financial instruments	19	1,083	1,007	1,083	1,007
Borrowings	20	23,807	22,483	23,807	22,483
Total non-current liabilities		26,128	25,184	26,128	25,184
Current liabilities					
Trade and other payables	23	20,056	16,690	12,324	10,029
Current tax liabilities		690	502	-	-
Derivative financial instruments	19	330	300	330	300
Borrowings	20	3,026	1,807	2,924	1,757
Total current liabilities		24,102	19,299	15,578	12,086
Liabilities directly attributable to non-current assets held for sale	24	2,884	4,893	1,520	1,905
		26,986	24,192	17,098	13,991
Total liabilities		53,114	49,376	43,226	39,175
Total equity and liabilities		162,573	149,611	139,877	129,529

The notes on pages 58 to 88 are an integral part of these consolidated financial statements.

The financial statements on pages 37 to 88 were authorised for issue by the board on 12 May 2016 and were signed on its behalf by:



Louis A. Farrugia
Chairman



Marcantonio Stagno d'Alcontres
Vice-Chairman



Norman Aquilina
Group Chief Executive

INCOME STATEMENTS

	Notes	Year ended 31 January			
		Group		Company	
		2016	2015	2016	2015
		€'000	€'000	€'000	€'000
Continuing operations:					
Revenue	4	84,918	79,206	46,679	44,189
Cost of sales	25	(51,924)	(49,705)	(22,801)	(22,653)
Gross profit		32,994	29,501	23,878	21,536
Selling and distribution costs	25	(10,170)	(9,821)	(7,936)	(7,256)
Administrative expenses	25	(11,078)	(9,609)	(6,474)	(5,990)
Other operating expenses	7	(271)	(376)	-	-
Operating profit		11,475	9,695	9,468	8,290
Investment gains	28	14	12	133	123
Finance costs	29	(1,377)	(1,472)	(1,350)	(1,458)
Profit before tax		10,112	8,235	8,251	6,955
Tax income	30	869	5,222	1,513	5,665
Profit for the year from continuing operations		10,981	13,457	9,764	12,620
Discontinued operations:					
Profit/(loss) for the year from discontinued operations	24	242	(5,448)	(797)	(7,040)
Profit for the year		11,223	8,009	8,967	5,580
Earnings per share for the year attributable to shareholders arising from:					
- Continuing operations		€0.366	€0.449		
- Discontinued operations		€0.008	(€0.182)		
	32	€0.374	€0.267		

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 January			
		Group		Company	
		2016	2015	2016	2015
		€'000	€'000	€'000	€'000
Profit for the year		11,223	8,009	8,967	5,580
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Movement in deferred tax due to change in tax rates on immovable property	21	1,070	-	399	-
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	18	(69)	(548)	(69)	(548)
Other comprehensive income for the year		1,001	(548)	330	(548)
Total comprehensive income for the year		12,224	7,461	9,297	5,032
Total comprehensive income attributable to equity shareholders arising from:					
- Continuing operations		11,982	12,909	10,094	12,072
- Discontinued operations		242	(5,448)	(797)	(7,040)
		12,224	7,461	9,297	5,032

The notes on pages 58 to 88 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2014		9,000	(302)	58,421	28,155	95,274
Comprehensive income						
Profit for the year		-	-	-	8,009	8,009
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(548)	-	-	(548)
Net transfers of fair value movements on investment property, net of deferred tax	16	-	-	(5,200)	5,200	-
Total comprehensive income		-	(548)	(5,200)	13,209	7,461
Transactions with owners						
Dividends relating to 2014 and 2015	15	-	-	-	(2,500)	(2,500)
Balance at 31 January 2015		9,000	(850)	53,221	38,864	100,235
Balance at 1 February 2015		9,000	(850)	53,221	38,864	100,235
Comprehensive income						
Profit for the year		-	-	-	11,223	11,223
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(69)	-	-	(69)
Movement in deferred tax due to changes in tax rates on immovable property	21	-	-	2,847	(1,777)	1,070
Net transfers of fair value movements on investment property, net of deferred tax	16	-	-	(1,963)	1,963	-
Total comprehensive income		-	(69)	884	11,409	12,224
Transactions with owners						
Dividends relating to 2015 and 2016	15	-	-	-	(3,000)	(3,000)
Balance at 31 January 2016		9,000	(919)	54,105	47,273	109,459

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2014		9,000	(302)	53,161	25,963	87,822
Comprehensive income						
Profit for the year		-	-	-	5,580	5,580
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(548)	-	-	(548)
Net transfers of fair value movements on investment property, net of deferred tax	16	-	-	(7,040)	7,040	-
Total comprehensive income		-	(548)	(7,040)	12,620	5,032
Transactions with owners						
Dividends relating to 2014 and 2015	15	-	-	-	(2,500)	(2,500)
Balance at 31 January 2015		9,000	(850)	46,121	36,083	90,354
Balance at 1 February 2015		9,000	(850)	46,121	36,083	90,354
Comprehensive income						
Profit for the year		-	-	-	8,967	8,967
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(69)	-	-	(69)
Movement in deferred tax due to changes in tax rates on immovable property	21	-	-	803	(404)	399
Net transfers of fair value movements on investment property, net of deferred tax	16	-	-	(1,963)	1,963	-
Total comprehensive income		-	(69)	(1,160)	10,526	9,297
Transactions with owners						
Dividends relating to 2015 and 2016	15	-	-	-	(3,000)	(3,000)
Balance at 31 January 2016		9,000	(919)	44,961	43,609	96,651

The notes on pages 58 to 88 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 January			
		Group		Company	
		2016	2015	2016	2015
		€'000	€'000	€'000	€'000
Cash flows from operating activities					
Cash generated from operations	33	18,228	17,761	15,803	13,778
Interest received		14	12	133	123
Interest paid		(1,377)	(1,472)	(1,350)	(1,458)
Income tax paid		(412)	(657)	(412)	-
Net cash generated from operating activities		16,453	15,644	14,174	12,443
Cash flows from investing activities					
Purchase of property, plant and equipment		(15,267)	(6,847)	(13,017)	(5,837)
Advance payments for property, plant and equipment		(1,623)	-	(1,623)	-
Additions to investment property		(1,626)	(556)	(1,626)	(556)
Additions to intangible assets		(243)	(44)	-	-
Proceeds from disposal of property, plant and equipment		30	33	-	10
Proceeds from disposal of investment property		250	-	-	-
Institutional grants received		457	435	457	435
Net cash used in investing activities		(18,022)	(6,979)	(15,809)	(5,948)
Cash flows from financing activities					
Proceeds from non-current borrowings		3,038	-	3,038	-
Payments of current and non-current borrowings		(1,751)	(1,751)	(1,751)	(1,751)
Dividends paid		(3,000)	(2,500)	(3,000)	(2,500)
Net cash used in financing activities		(1,713)	(4,251)	(1,713)	(4,251)
Net movement in cash and cash equivalents		(3,282)	4,414	(3,348)	2,244
Cash and cash equivalents at beginning of year		4,448	34	2,863	619
Cash and cash equivalents at end of year	13	1,166	4,448	(485)	2,863

The notes on pages 58 to 88 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

Standards, interpretations and amendments to published standards effective in 2016

In 2016, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2015. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the group's accounting periods beginning after 1 February 2015. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2018. The group is considering the implications of the standard and its impact on the group's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission, and will also consider the impact of the remaining phases of IFRS 9 when completed.

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

1.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Jointly-controlled entities

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

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

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

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

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

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

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

1.4 Group holdings of land and buildings

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

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

1.5 Property, plant and equipment

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

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

repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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

1.6 Investment property

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

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

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

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

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

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

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

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

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

1.7 Intangible assets

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

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

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

1.8 Impairment of non-financial assets

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

1.9 Investments in subsidiaries and jointly-controlled entities

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

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

1.10 Financial assets

1.10.1 Classification

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

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

1.10.2 Recognition and measurement

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

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

1.10.3 Impairment

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

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

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

1.11 Inventories

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

1.12 Trade and other receivables

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

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

1.13 Current and deferred tax

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

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

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

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

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

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

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

1.14 Cash and cash equivalents

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

1.15 Discontinued operations and non-current assets held for sale

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

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

1.16 Share capital

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

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

1.17 Borrowings

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

1.18 Provisions

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

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

1.19 Termination benefits

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

1.20 Trade and other payables

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

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

1.21 Financial liabilities

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

1.22 Offsetting financial instruments

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

1.23 Revenue recognition

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

(a) Sales of goods - wholesale

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

(b) Sales of goods - retail

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

(c) Sales of services

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

(d) Property related income

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

(e) Finance income

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

(f) Dividend income

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

1.24 Operating leases

Where a group company is a lessee

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

Where a group company is a lessor

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

1.25 Borrowing costs

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

1.26 Earnings per share

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

1.27 Segment reporting

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

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

1.28 Derivative financial instruments

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

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

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

1.29 Institutional grants

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

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

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective group entity's functional currency. The group is exposed to foreign exchange risk arising primarily from the group's purchases, a part of which are denominated in the US dollar and the GB pound. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are settled within very short periods in accordance with the negotiated credit terms.

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

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

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

At 31 January 2016, the settlement dates on open contracts ranged between one and ten months. These derivatives contracts had a notional amount of €3,150,000. If as at year end, the above noted currencies had weakened or strengthened against the euro by 5% with all other variables held constant, equity would have been €131,000 and €118,000 respectively lower or higher, mainly as a result of fair value movements on these derivative financial instruments. Such losses or gains in respect of a weakening or a strengthening of the above noted currencies against the euro would mitigate, to the extent of an amount of currency purchases equivalent to the derivative contracts' notional amount as disclosed above, the equivalent gains or losses that would arise upon the actual purchases.

(ii) Cash flow and fair value interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to note 20), expose the group to cash flow interest rate risk. The group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Borrowings issued at fixed rates, consist primarily of bank loans and unsecured bonds which are carried at amortised cost (refer to note 20), and therefore do not expose the group to cash flow and fair value interest rate risk.

Significant exposure to cash flow interest rate risk arises in respect of interest payments relating to borrowings, in particular to loans amounting to €7.5 million (2015: €5.5 million) that are subject to interest at floating rates linked to Euribor. The group entered into interest-rate swap agreements, which provided a cash flow hedging relationship in respect of variability of future floating interest payments. These agreements cover interest payments on the total amount of these borrowings. Accordingly, this hedging instrument has been designated as cash flow hedges on the interest rate risk, that is, volatility in floating interest amounts. Up to the reporting date, the group did not have any hedging arrangements with respect to the exposure of interest rate risk on other interest-bearing liabilities.

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

(b) Credit risk

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Carrying amounts				
Trade and other receivables (<i>note 12</i>)	19,766	16,979	17,730	16,624
Cash and cash equivalents (<i>note 13</i>)	2,445	4,505	692	2,870
	22,211	21,484	18,422	19,494

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

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

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

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

Impairment losses**Trade and other receivables**

At group level, impairment provisions of €2,938,000 (2015: €2,618,000) were in existence at the year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €1,780,000 (2015: €1,211,000). These unsecured overdue amounts consisted of €1,698,000 (2015: €1,042,000) that were less than three months overdue and €82,000 (2015: €169,000) that were greater than three months overdue.

At company level, impairment provisions of €1,387,000 (2015: €1,128,000) were in existence at the year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €810,000 (2015: €1,022,000). These unsecured overdue amounts consisted of €810,000 (2015: €1,022,000) that were less than three months overdue.

Other receivables

As at year end, impairment provisions of €1,778,000 (2015: €1,620,000) for the group and the company were in existence at year end in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €1,559,000 (2015: €1,901,000) for the group and the company. The group and company hold security of €2,026,000 (2015: €1,886,000) against trade loans of an equivalent amount.

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Balance as at 1 February	4,238	3,746	2,737	2,312
Movement in provision for impairment	477	492	428	425
Balance as at 31 January	4,715	4,238	3,165	2,737

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

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

Derivative financial instruments

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

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade and other payables (refer to notes 20 and 23). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

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

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

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€'000	€'000	€'000	€'000	€'000
GROUP					
31 January 2016					
Borrowings	26,833	28,055	3,499	24,556	-
Trade and other payables	19,902	19,902	19,902	-	-
	46,735	47,957	23,401	24,556	-
31 January 2015					
Borrowings	24,290	25,789	2,299	22,771	719
Trade and other payables	16,526	16,526	16,526	-	-
	40,816	42,315	18,825	22,771	719
COMPANY					
31 January 2016					
Borrowings	26,731	27,955	3,399	24,556	-
Trade and other payables	12,169	12,169	12,169	-	-
	38,900	40,124	15,568	24,556	-
31 January 2015					
Borrowings	24,240	25,739	2,249	22,771	719
Trade and other payables	10,099	10,099	10,099	-	-
	34,339	35,838	12,348	22,771	719

The table below analyses the group's principal derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Within one year	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000
GROUP AND COMPANY				
31 January 2016				
Interest rate derivative				
- Interest-rate swap	303	883	243	1,429
31 January 2015				
Interest rate derivative				
- Interest-rate swap	237	953	317	1,507

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

	Within one year	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000
GROUP AND COMPANY				
31 January 2016				
Foreign exchange derivatives				
- Outflows	(2,537)	-	-	(2,537)
- Inflows	2,492	-	-	2,492
	(45)	-	-	(45)

2.2 Capital risk management

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

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

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

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

Total borrowings include unsecured bonds issued by the company. The gearing ratios at 31 January 2016 and 2015 were as follows:

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Total borrowings (note 20)	26,833	24,290	26,731	24,240
Less Cash at hand and in bank	(2,445)	(4,505)	(692)	(2,870)
	24,388	19,785	26,039	21,370
Total equity	109,459	100,235	96,651	90,354
Total equity and net borrowings	133,847	120,020	122,690	111,724
Gearing	18.22%	16.48%	21.22%	19.13%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2016 and 2015 the carrying amounts of cash at bank, trade and other receivables, trade and other payables and current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of amounts owed by subsidiaries and jointly-controlled entities which are current or repayable on demand is equivalent to their carrying amount.

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

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

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

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

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

	2016 Level 2	2015 Level 2
	€'000	€'000
GROUP AND COMPANY		
Liabilities		
Interest rate derivative		
- Interest-rate swap	1,386	1,307
Foreign exchange derivatives		
- Currency forwards	27	-
	1,413	1,307

3. Critical accounting estimates and judgements

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

In the opinion of the company directors, the accounting estimates and judgements made in the course of preparing these financial statements, except as disclosed in notes 5, 6, 7 and 21 are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Segment information

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

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

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

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

During financial year ended 31 January 2015, the group's board decided to re-organise the internal structure within group, and to 'spin-off' its property interests from the other business activities into a separate and distinct public company. The completion date for this transaction is expected within the next 12 to 18 months. Consequently the results and related assets and liabilities of the segment are classified and discontinued and held for sale.

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

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

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

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

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Property management	Group
	€'000	€'000	€'000	€'000	€'000
2016					
Revenue	48,070	30,938	12,397	-	91,405
Less: inter-segmental sales	(1,831)	(4,656)	-	-	(6,487)
	46,239	26,282	12,397	-	(84,918)
Segment results	9,016	1,778	681	-	11,475
Net finance costs					(1,363)
Profit before tax					10,112
Tax income					869
Profit from continuing operations					10,981
Profit from discontinuing operations	-	-	-	242	242
Profit for the year					11,223
Segment assets	100,527	15,320	10,824	-	126,671
Non-current assets held for sale	-	-	-	31,558	31,558
Unallocated assets					4,344
Total assets					162,573
Segment liabilities	14,911	5,639	2,157	-	22,707
Liabilities directly attributable to non-current assets held for sale	-	-	-	2,884	2,884
Unallocated liabilities					27,523
Total liabilities					53,114
Additions to non-current assets	13,771	273	1,695	-	15,739
Depreciation	4,656	263	526	92	5,537
Amortisation	35	-	22	-	57
Impairment on intangible assets	-	271	-	-	271
Impairment provision for trade receivables	421	56	-	-	477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
4. SEGMENT INFORMATION *continued*

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Property management	Group
	€'000	€'000	€'000	€'000	€'000
2015					
Revenue	45,500	28,655	10,984	-	85,139
Less: inter-segmental sales	(1,633)	(4,300)	-	-	(5,933)
	43,867	24,355	10,984	-	79,206
Segment results	7,669	1,345	681	-	9,695
Net finance costs					(1,460)
Profit before tax					8,235
Tax income					5,222
Profit from continuing operations					13,457
Loss from discontinued operations	-	-	-	(5,448)	(5,448)
Profit for the year					8,009
Segment assets	90,981	12,543	10,154	-	113,678
Non-current assets held for sale				33,041	33,041
Unallocated assets					2,039
Total assets					148,758
Segment liabilities	13,313	3,199	2,326	-	18,838
Liabilities directly attributable to non-current assets held for sale	-	-	-	4,893	4,893
Unallocated liabilities					24,792
Total liabilities					48,523
Additions to non-current assets	5,956	219	649	23	6,847
Depreciation	4,766	289	530	87	5,672
Amortisation	35	-	28	-	63
Impairment on intangible asset	-	376	-	-	376
Impairment provision for trade receivables	405	87	-	-	492

**5. Property, plant
and equipment**

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
At 1 February 2014				
Cost or valuation	55,573	181	111,674	167,428
Accumulated depreciation and impairment	(4,495)	-	(89,346)	(93,841)
Net book amount	51,078	181	22,328	73,587
Year ended 31 January 2015				
Opening net book amount	51,078	181	22,328	73,587
Additions	244	3,314	3,289	6,847
Disposals	-	-	(85)	(85)
Depreciation	(863)	-	(4,809)	(5,672)
Depreciation released on disposals	-	-	65	65
Transfer to non-current assets held for sale	-	-	(23)	(23)
Transfer from investment property (note 6)	5,451	-	-	5,451
Closing net book amount	55,910	3,495	20,765	80,170
At 31 January 2015				
Cost or valuation	61,268	3,495	114,855	179,618
Accumulated depreciation and impairment	(5,358)	-	(94,090)	(99,448)
Net book amount	55,910	3,495	20,765	80,170
Year ended 31 January 2016				
Opening net book amount	55,910	3,495	20,765	80,170
Additions	498	11,017	4,224	15,739
Disposals	(651)	-	(777)	(1,428)
Depreciation	(1,061)	-	(4,476)	(5,537)
Depreciation released on disposals	281	-	758	1,039
Closing net book amount	54,977	14,512	20,494	89,983
At 31 January 2016				
Cost or valuation	61,115	14,512	118,302	193,929
Accumulated depreciation and impairment	(6,138)	-	(97,808)	(103,946)
Net book amount	54,977	14,512	20,494	89,983

	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
COMPANY				
At 1 February 2014				
Cost or valuation	40,954	181	90,603	131,738
Accumulated depreciation and impairment	(2,686)	-	(70,033)	(72,719)
Net book amount	38,268	181	20,570	59,019
Year ended 31 January 2015				
Opening net book amount	38,268	181	20,570	59,019
Additions	25	3,314	2,498	5,837
Disposals	-	-	(35)	(35)
Depreciation	(650)	-	(4,014)	(4,664)
Depreciation released on disposals	-	-	35	35
Transfer from investment property (note 6)	5,451	-	-	5,451
Closing net book amount	43,094	3,495	19,054	65,643
At 31 January 2015				
Cost or valuation	46,430	3,495	93,066	142,991
Accumulated depreciation and impairment	(3,336)	-	(74,012)	(77,348)
Net book amount	43,094	3,495	19,054	65,643
Year ended 31 January 2016				
Opening net book amount	43,094	3,495	19,054	65,643
Additions	-	11,017	2,472	13,489
Disposals	-	-	(22)	(22)
Depreciation	(859)	-	(3,696)	(4,555)
Depreciation released on disposals	-	-	22	22
Closing net book amount	42,235	14,512	17,830	74,577
At 31 January 2016				
Cost or valuation	46,430	14,512	95,516	156,458
Accumulated depreciation and impairment	(4,195)	-	(77,686)	(81,881)
Net book amount	42,235	14,512	17,830	74,577

Assets in course of construction mainly relate to works carried out during financial years 2015 and 2016 on the development of the new beer packaging hall situated within the group's manufacturing and distribution complex in Mriehel.

As at 31 January 2015, assets transferred from investment property amounting to €5,451,000 relate to property which the company will be using for operational purposes in the foreseeable future (note 6).

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

Other receivables (note 12) include payments on account amounting to €1,623,000 which were advanced to contracted suppliers of operational plant relating to the new beer packaging facility. As at year end, ownership of this operational plant was not transferred to the company.

Fair value of property

On 31 January 2008, the directors approved revaluations of the owned property by the group and classified it under property, plant and equipment, after assessing the valuations made by duly appointed independent chartered architectural firms. These valuations were determined on the basis of open market values after considering the intrinsic value of the property and net potential returns. The directors have confirmed these values as at 31 January 2016 with the exception of the valuation related to the Brewery façade as noted hereunder.

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

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

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

All the recurring property fair value measurements at 31 January 2016 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 2016.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within level 3 of the value hierarchy, is reflected in the table above and in the table in note 6. The only movement in land and buildings classified as property, plant and equipment reflects additions, disposals and depreciation charge for the year ended 31 January 2016, while the only movement in investment property reflects additions other than transfers between property, plant and equipment and investment property and transfers to non-current assets held for sale and fair value movements which were recognised in profit or loss (if any).

Valuation processes

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

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

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

Valuation techniques

The external valuations of the level 3 property have been performed using a variety of methods, including an adjusted sales comparison approach, capitalised rentals and the replacement cost approach (in the case of certain buildings). In 2015, the discounted projected cash flows approach was adopted for parts of the façade property. Each property was valued using the method considered by the external valuers to be the most appropriate valuation method for that type of property; the method, together with the fair value measurements, was approved by the board of directors as described above.

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

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

In the case of certain areas of the façade property, the discounted projected cash flows approach based on the highest and best use basis was adopted taking into consideration certain MEPA restrictions. The significant unobservable inputs include annualised net cash inflows per square metre (driven by premium market rentable rates) from the commission property, a capitalisation rate (applied at 6.5%), and development costs (based on high quality finishes). The resulting gross development return has been split between development return (assumed at 13% [2015: 11%]) with the residual value attributed to the company land value. This change in valuation parameters resulted in a re-assessment of the fair value of the related property resulting in a fair value downward adjustment of €2,182,000.

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

Description by class based on highest and best use	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
As at 31 January 2016	€'000			€
Current use as manufacturing or related premises	42,177	Sales comparison approach	Sales price per square metre	582
		Replacement cost approach	Development cost per square metre	175 – 466
		Capitalised rentals approach	Rental rate per square metre	100 – 225
		Discounted cashflow approach	Annual net cashflows per square metre	164 – 242
Current use as commercial premises	17,799	Capitalised rentals approach	Rental rate per square metre	61 – 349
Developable as extended-commercial premises	7,694	Discounted cashflow approach	Annual net cashflows per square metre	100 – 225
Developable land for mixed use/commercial use	18,714	Sales comparison approach	Net sales price per square metre	577 – 1,035

Description by class based on highest and best use	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
As at 31 January 2015	€'000			€
Current use as manufacturing or related premises	43,191	Sales comparison approach	Sales price per square metre	582
		Replacement cost approach	Development cost per square metre	175 – 466
		Capitalised rentals approach	Rental rate per square metre	100 – 225
		Discounted cashflow approach	Annual net cashflows per square metre	164 – 242
Current use as commercial premises	17,799	Capitalised rentals approach	Rental rate per square metre	61 – 349
Developable as extended-commercial premises	8,250	Discounted cashflow approach	Annual net cashflows per square metre	100 – 225
Developable land for mixed use/commercial use	18,964	Sales comparison approach	Net sales price per square metre	577 – 1,035

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

In the case of the replacement cost approach, the higher the development cost per square metre, the higher the resultant fair valuation.

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

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

As at 31 January 2016, the carrying amount of land and buildings would have been €22,351,000 (2015: €23,284,000) had these assets been included in the financial statements at historical cost less depreciation.

The charge for depreciation and impairment charges as disclosed in note 25 are included in the income statements as follows:

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Cost of sales	3,000	3,420	2,329	2,740
Selling and distribution costs	1,755	1,462	1,518	1,230
Administration expenses	782	790	708	694
	5,537	5,672	4,555	4,664

6. Investment property

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Year ended 31 January				
Opening net book amount	-	45,189	-	32,926
Additions	-	556	-	556
Fair value adjustments (note 24)	-	(8,000)	-	(8,000)
Transfer to non-current assets held for sale (note 24)	-	(32,294)	-	(20,031)
Transfer to property, plant and equipment (note 5)	-	(5,451)	-	(5,451)
Closing net book amount	-	-	-	-

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

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

Bank borrowings are secured by the group's and company's investment property (note 20). Investment property comprises a number of commercial properties that are leased to third parties and land held for capital appreciation. The following amounts have been recognised in the income statements:

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Rental income	-	290	-	-
Direct operating expenses	-	(185)	-	-

7. Intangible assets

	Goodwill	Franchise & agency rights	Total
	€'000	€'000	€'000
GROUP			
At 1 February 2014			
Cost	1,058	4,698	5,756
Accumulated amortisation and impairment	(128)	(4,550)	(4,678)
Net book amount	930	148	1,078
Year ended 31 January 2015			
Opening net book amount	930	148	1,078
Additions	-	44	44
Amortisation	-	(28)	(28)
Impairment Charge	(376)	-	(376)
Closing net book amount	554	164	718
At 31 January 2015			
Cost	1,058	4,742	5,800
Accumulated amortisation and impairment	(504)	(4,578)	(5,082)
Net book amount	554	164	718
Year ended 31 January 2016			
Opening net book amount	554	164	718
Additions	-	243	243
Amortisation	-	(32)	(32)
Impairment charge	(271)	-	(271)
Closing net book amount	283	375	658
At 31 January 2016			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,610)	(5,385)
Net book amount	283	375	658

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

The carrying amount of food importation business of the group within the importation wholesale and retail of food and beverages segment, has been reduced to its recoverable amount through the recognition of an impairment charge against goodwill amounting to €271,000 in 2016 and €376,000 in 2015. This loss has been disclosed within the other operating expenses in the income statement.

Amortisation of €32,000 (2015: €28,000) 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:

	2016	2015
	€'000	€'000
Brewing, production and sale of branded beers & beverages	192	192
Importation, wholesale and retail of food & beverages	91	362
Net book amount	283	554

The recoverable amount of a cash-generating unit is determined based on value in use calculations, and is assessed annually. These calculations use cash flow projections based on financial information prepared by management covering up to a fifteen year period using the estimated growth rate of 2% (2015: 2.5%). Cash flows beyond the six-year period are extrapolated using an estimated growth rate of 1.5% (2015: 2%) per annum. These estimates principally assume net margins of 28% and are principally discounted using a rate of 7.07%.

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

8. Investments in subsidiaries

	Company	
	2016	2015
	€'000	€'000
Year ended 31 January		
Opening and closing net book amount	13,706	13,706
At 31 January		
Cost	17,787	17,787
Impairment provision for investments	(4,081)	(4,081)
Net book amount	13,706	13,706

The principal subsidiaries at 31 January 2016 all of which are unlisted, are disclosed in note 39 to these financial statements.

9. Investments in jointly-controlled entities

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Year ended 31 January				
Opening net book amount	-	12	-	2
Transfer to non-current assets held for sale (note 24)	-	(12)	-	(2)
Closing net book amount	-	-	-	-

The principal jointly-controlled entities at 31 January 2016 all of which are unlisted, are disclosed in note 39 to these financial statements.

The principal investment in jointly-controlled entities related to property management and was consequently classified within the group's non-current assets held for sale in 2015 (note 24).

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

	Assets	Liabilities	Losses
	€'000	€'000	€'000
At 31 January 2015	1,132	1,050	(3)

10. Loans and receivables

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Year ended 31 January				
Opening net book amount	-	104	-	-
Repayments	-	(48)	-	-
Transfer to non-current assets held for sale (note 24)	-	(56)	-	-
Closing net book amount	-	-	-	-

11. Inventories

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Raw materials and consumables	2,923	2,506	2,688	2,187
Finished goods and goods for resale	6,985	6,617	1,922	2,339
Containers and other stocks	2,426	1,994	2,229	1,899
	12,334	11,117	6,839	6,425

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Cost of sales	829	654	670	478
Selling, distribution and administrative expenses	51	162	51	162
	880	816	721	640

12. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Non-current				
Other receivables	2,757	1,392	2,757	1,392
Current				
Trade receivables	11,858	11,515	6,108	6,343
Amounts due from subsidiaries	-	-	4,758	5,578
Indirect taxation	74	69	-	-
Other receivables	5,077	4,003	4,107	3,311
Prepayments and accrued income	1,486	1,044	1,703	497
	18,495	16,631	16,676	15,729
Total trade and other receivables	21,252	18,023	19,433	17,121

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Trade and other receivables	4,715	4,238	3,165	2,737

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

Amounts due to the company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €5,386,000 (2015: €6,377,000) which are subject to an average interest rate of 4.75% (2015: 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.

13. Cash and cash equivalents

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Cash at bank and in hand	2,445	4,505	692	2,870
Bank overdrafts	(1,279)	(57)	(1,177)	(7)
	1,166	4,448	(485)	2,863

14. Share capital

	Company	
	2016	2015
	€'000	€'000
Authorised:		
30,000,000 ordinary shares of €0.30 each	9,000	9,000
21,000,000 preference shares of €1.00 each	21,000	21,000
	30,000	30,000
Issued and fully paid:		
30,000,000 ordinary shares of €0.30 each	9,000	9,000
	9,000	9,000

15. Dividends paid

	Company	
	2016	2015
	€'000	€'000
Interim dividend	1,000	1,000
Final dividend	2,000	1,500
Total net dividend	3,000	2,500
Euro per share (net)	€0.10	€0.08

The final dividend of €2,000,000 in respect of the year ended 31 January 2015 was announced to the ordinary shareholders on 25 June 2015. 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 2016 was announced on 30 September 2015, and paid to the ordinary shareholders on 20 October 2015. At the forthcoming Annual General Meeting, a final net dividend of €2,200,000 (€0.0733 per share) in respect of the financial year ended 31 January 2016 is to be proposed.

These financial statements do not reflect the final dividend for 2016 of €2,200,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2017.

16. Revaluation reserve

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Non-current assets				
At beginning of year, before deferred tax	46,009	54,009	38,677	46,677
Fair value movements	(2,182)	(8,000)	(2,182)	(8,000)
	43,827	46,009	36,495	38,677
Deferred taxation (note 21)	(5,285)	(8,351)	(3,800)	(4,822)
At 31 January	38,542	37,658	32,695	33,855

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.

17. Other reserves

	Share premium	Other unrealised reserve	Incentives and benefits reserve	Capital redemption reserve	Total
	€'000	€'000	€'000	€'000	€'000
GROUP					
At 1 February 2015 and 1 February 2016	2,078	3,507	2,515	7,463	15,563
COMPANY					
At 1 February 2015 and 1 February 2016	2,078	210	2,515	7,463	12,266

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

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

18. Hedging reserve

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

	Currency derivatives €'000	Interest rate swap €'000	Total €'000
GROUP AND COMPANY			
At 31 January 2014			
Gross amounts of losses	20	444	464
Deferred taxes (note 21)	(7)	(155)	(162)
	13	289	302
Movement for the year ended 31 January 2015			
(Gain)/losses from changes in fair value	(20)	1,016	996
Deferred taxes (note 21)	7	(356)	(349)
	(13)	660	647
Transferred to statement of comprehensive income (note 29)	-	(153)	(153)
Deferred taxes (note 21)	-	54	54
	-	(99)	(99)
At 31 January 2015			
Gross amounts of losses	-	1,307	1,307
Deferred taxes (note 21)	-	(457)	(457)
	-	850	850
Movement for the year ended 31 January 2016			
(Gains)/losses from changes in fair value	(13)	273	260
Deferred taxes (note 21)	5	(96)	(91)
	(8)	177	169
Transferred to statement of comprehensive income (note 29)	40	(194)	(154)
Deferred taxes (note 21)	(14)	68	54
	26	(126)	(100)
At 31 January 2016			
Gross amounts of losses	27	1,386	1,413
Deferred taxes (note 21)	(9)	(485)	(494)
	18	901	919

The net fair value losses recognised in equity at 31 January 2016 on the interest-rate swap contracts will be transferred from the hedging reserve to the income statements during the remaining term of the contracts up to 2024. As at the reporting period date, these contracts are designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract.

19. Derivative financial instruments

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

	Group and Company €'000
FAIR VALUES LIABILITIES	€'000
At 31 January 2015	
Interest rate derivative	
- interest-rate swap	1,307
Total recognised derivative liabilities	1,307
At 31 January 2016	
Interest rate derivative	
- interest-rate swap	1,386
Foreign exchange derivatives	
- currency forwards	27
Total recognised derivative liabilities	1,413

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

	2016 €'000	2015 €'000
DERIVATIVES FINANCIAL LIABILITIES	€'000	€'000
Non-current	1,083	1,007
Current	330	300
	1,413	1,307

(a) Interest rate derivatives

During the financial year ended 31 January 2015, the company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €12.4 million matching the principal amount of an equal value specific bank loan. As at year end, the company had effected actual drawdowns of €3.04 million. Under the interest rate swap arrangement, the company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 1.82% with variable interest amounts receivable based on the 3 month floating Euribor rate. The derivative expires in 2024, thus matching with the terms of loan.

During the financial year ended 31 January 2011, the company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €10 million matching the principal amount of an equal value specific loan. As at year end, the remaining unpaid portion of this loan amounted to €4.5 million. Under the interest rate swap arrangement, the company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 2.74% with variable interest amounts receivable based on the 3 month floating Euribor rate. The derivative expires in 2020, thus matching with the terms of loan.

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

Gains and losses recognised in the hedging reserve in equity (note 18) on the interest rate swap contracts as of 31 January 2016 will be released to the income statements over the period until maturity of the contracts.

(b) Foreign exchange derivatives**Currency forwards**

The currency forward contracts outstanding as at 31 January 2016 had a notional value of USD1,300,000 and GBP 1,600,000 with an average contracted rate of €1:USD1.1054 and GBP0.7416. The related fair value of outstanding forward contracts as at 31 January 2016 amounted to a net liability of €27,366.

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

20. Borrowings

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Non-current				
6.0% Bonds 2017 - 2020	14,831	14,796	14,831	14,796
Bank loans	8,976	7,687	8,976	7,687
	23,807	22,483	23,807	22,483
Current				
Bank overdrafts	1,279	57	1,177	7
Bank loans	1,747	1,750	1,747	1,750
	3,026	1,807	2,924	1,757
Total borrowings	26,833	24,290	26,731	24,240

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Face value of bonds				
6.0% Bonds 2017 - 2020	15,000	15,000	15,000	15,000
	15,000	15,000	15,000	15,000
Issue costs	384	384	384	384
Accumulated amortisation	(215)	(180)	(215)	(180)
Net book amount	169	204	169	204
Amortised cost	14,831	14,796	14,831	14,796

Following the board decision taken on 1 April 2010, the company issued an aggregate principal amount of €15 million Bonds (2017-2020), having a nominal value of €100 each, bearing interest at the rate of 6.0% per annum. These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 10 May 2010. The quoted market price as at 31 January 2016 for the 6.0% Bonds 2017-2020 was €105.00 (2015: €105.51).

As contemplated in the prospectus dated 10 May 2010, the group's bank issued a bank guarantee for an amount of €1,500,000 (2015: €1,000,000) in fulfilment of the company's reserve account obligations as per clause 26.9 of the above noted prospectus.

The group's and the company's banking facilities as at 31 January 2016 and 2015 amounted to €50,000,000 and €51,753,000 for the group, and €42,100,000 and €43,853,000 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	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
At floating rates	8,817	5,557	8,715	5,507
At fixed rates	18,016	18,733	18,016	18,733
Total borrowings	26,833	24,290	26,731	24,240

Borrowings at floating rates which interest rate is computed using a margin over the three month Euribor rate, are hedged through interest rate swap agreements (note 19).

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

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Bank overdrafts	4.60	4.67	4.60	5.25
Bank loans	3.06	3.53	3.06	3.54
Bonds 2017 - 2020	6.00	6.00	6.00	6.00

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

21. Deferred taxation

The movement in the deferred tax account is as follows:

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
At beginning of year	2,407	11,116	(1,300)	5,620
Credited to income statements (note 30)	(3,405)	(8,414)	(2,136)	(6,625)
Credited directly in equity	(1,070)	-	(399)	-
Net tax effect of re-measurement of derivatives	(37)	(295)	(37)	(295)
At end of year	(2,105)	2,407	(3,872)	(1,300)
Disclosed as follows:				
Continuing operations	(4,210)	(1,693)	(5,153)	(3,205)
Discontinued operations	2,105	4,100	1,281	1,905
At end of year	(2,105)	2,407	(3,872)	(1,300)

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% (2015: 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 10% (2015: 12%) of the transfer value.

Changes to the taxation rules on capital gains arising on transfer of immovable property were announced by the Minister for Finance during the 2015 Budget Speech. With effect from 1 January 2015, the final tax on transfers of immovable property was reduced to 10% of the transfer value for property acquired before 1 January 2004. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of property amounted to €2,847,000 for the group and €804,000 for the company. Releases amounting to €1,777,000 for the group and €405,000 for the company were credited to the income statement under discontinued operations while releases amounting to €1,070,000 for the group and €399,000 for the company were credited to the revaluation reserve within equity.

The manufacturing arm of the group has been availing itself of investment aid under the various investment tax credit schemes that were applicable until 30 June 2014. In view of the fact that the investment tax credit schemes have become more restrictive in respect of large undertakings, the group has reassessed the extent to which the related deferred tax may be utilised in the foreseeable future. This assessment resulted in a further recognition of deferred tax credits on investment aid of €1,080,000 (2015: €5,274,000). This amount was credited to the income statement under continuing operations.

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

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

	Fixed assets	Investment tax credits	Fair value (gain)/loss	Net tax losses	Revaluation surplus	Provisions on assets	Total
Liabilities/(assets)	€'000	€'000	€'000	€'000	€'000	€'000	€'000
GROUP							
At 1 February 2014	4,359	(3,674)	345	94	11,151	(1,159)	11,116
Income statements	(151)	(5,274)	-	-	(2,800)	(189)	(8,414)
Equity	-	-	(295)	-	-	-	(295)
At 31 January 2015	4,208	(8,948)	50	94	8,351	(1,348)	2,407
At 1 February 2015	4,208	(8,948)	50	94	8,351	(1,348)	2,407
Income statements	(148)	(1,080)	-	(18)	(1,996)	(163)	(3,405)
Equity	-	-	(37)	-	(1,070)	-	(1,107)
At 31 January 2016	4,060	(10,028)	13	76	5,285	(1,511)	(2,105)
COMPANY							
At 1 February 2014	4,773	(3,674)	(134)	93	5,782	(1,220)	5,620
Income statements	(225)	(5,274)	-	-	(960)	(166)	(6,625)
Equity	-	-	(295)	-	-	-	(295)
At 31 January 2015	4,548	(8,948)	(429)	93	4,822	(1,386)	(1,300)
At 1 February 2015	4,548	(8,948)	(429)	93	4,822	(1,386)	(1,300)
Income statements	(287)	(1,080)	-	-	(623)	(146)	(2,136)
Equity	-	-	(37)	-	(399)	-	(436)
At 31 January 2016	4,261	(10,028)	(466)	93	3,800	(1,532)	(3,872)

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 2016, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Unutilised investment tax credits	2,065	5,467	2,065	5,467
Unabsorbed tax losses	18	18	-	-
Unabsorbed capital allowances	631	631	-	-
	2,714	6,116	2,065	5,467

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

22. Other provisions

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Termination benefit provisions				
At 1 February	101	166	101	166
Charged to profit and loss	46	113	46	113
Utilised during the year	(93)	(178)	(93)	(178)
At 31 January	54	101	54	101

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 2016 total €46,000 while for 2015 total €113,000 (note 25). It is anticipated that €29,000 (2015: €47,000) of the provision will be paid during the financial year ending 31 January 2017.

23. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Non-current				
Capital and other payables	1,184	1,593	1,184	1,593
Current				
Trade payables	8,417	5,304	3,308	1,497
Capital and other payables	3,244	2,499	2,795	2,045
Indirect taxes and social security	1,617	1,997	1,116	1,469
Accruals and deferred income	6,778	6,890	5,105	5,018
	20,056	16,690	12,324	10,029
Total trade and other creditors	21,240	18,283	13,508	11,622

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 2016, capital and other payables include institutional grants amounting to €1,213,000 (2015: €1,486,000) relating to funds advanced directly by the Government of Malta or other institutions to the group, co-financing its capital expenditure on the property, plant and equipment. The non-current portion of deferred institutional grants amounted to €1,049,000 (2015: €1,323,000). Such funds are treated as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. The impact of these grants on the current year's results are disclosed in note 25.

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

The assets relating to the property management segment have been presented as held for sale following the approval of the group's management in the third quarter of 2015 to re-organise the corporate structure of the Farsons Group, and to 'spin-off' (pro-rata to then existing shareholders) the group's property interests (other than those properties which will continue to be used in the core beverage business) from the other business activities into a separate and distinct public company. This decision follows the 17 September 2014 board decision to approve a concept and design budget for the initial phases of the development relating to a master plan for the Farsons Business Park project. The completion date for this transaction is expected within the next 12 to 18 months. The group believes that this extended period is necessary to satisfy certain conditions required for the completion of this transaction.

Assets of disposal group classified as held for sale

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Property, plant and equipment (note 5)	17	23	-	-
Investment property (note 6)	31,407	32,294	19,475	20,031
Investments in jointly-controlled entities (note 9)	12	12	3	3
Loans and receivables (note 10)	56	56	-	-
Trade and other receivables	66	656	-	525
Non-current assets held for sale	31,558	33,041	19,478	20,559

Liabilities of disposal group classified as held for sale

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Provisions for other liabilities and charges (note 21)	2,105	4,100	1,281	1,905
Trade and other payables	659	590	239	-
Current tax liabilities	120	203	-	-
Liabilities directly attributable to non-current assets held for sale	2,884	4,893	1,520	1,905

In accordance with IFRS 5, the assets and liabilities held for sale were written down to their fair value less costs to sell of €1,964,000 (2015: €5,200,000) (net of deferred tax). This is a non-recurring fair value which has been measured using unobservable inputs, as disclosed in note 5 under fair value of property, and is therefore within level 3 of the fair value hierarchy.

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Revenue	337	297	-	-
Cost of sales	(383)	(260)	-	-
Gross (loss)/profit	(46)	37	-	-
Administrative expenses	(103)	(120)	-	-
Investment income	-	-	1,173	-
Share of results of associate (net of tax)	763	-	-	-
Profit/(loss) before tax from discontinuing operations	614	(83)	1,173	-
Tax income/(expense) (note 30)	1,592	(165)	(6)	-
Profit/(loss) after tax from discontinuing operations	2,206	(248)	1,167	-
Loss on the re-measurement of assets held for sale	(2,182)	(8,000)	(2,182)	(8,000)
Tax income (note 30)	218	2,800	218	960
Loss after tax on the re-measurement of assets held for sale	(1,964)	(5,200)	(1,964)	(7,040)
Profit/(loss) for the year from discontinuing operations	242	(5,448)	(797)	(7,040)
Operating cash flows	1,086	(114)	1,524	(27)
Investing cash flows	(1,376)	(578)	(1,626)	(555)

The share of results of associate mainly comprise gains (net of tax) on the disposal of the underlying investment held by this associate.

25. Expenses by nature

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Depreciation of property, plant and equipment (note 5)	5,537	5,672	4,555	4,664
Profit/(Loss) on disposal of property, plant and equipment (note 5)	359	(13)	-	(10)
Employee benefit expense (note 26)	17,067	16,062	9,953	9,657
Termination benefits (note 26)	62	113	62	113
Raw materials, imported goods and consumables	38,444	36,818	10,861	10,684
Changes in inventories of finished goods and work in progress (note 11)	368	457	(417)	534
Increase in impairment provisions for trade and other receivables (note 12)	477	492	428	425
Impairment of trade receivables	8	126	3	25
Amortisation of intangible assets (note 7)	32	28	-	-
Other expenses	11,304	9,780	11,766	9,807
Total cost of sales, selling and distribution costs and administrative expenses	73,658	69,515	37,211	35,899

Operating profit is stated after crediting deferred institutional grants amounting to €177,000 (2015: €150,000), which are included in 'Cost of sales'.

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Disclosed as:				
Continuing operations	73,172	69,135	37,211	35,899
Discontinued operations	486	380	-	-
	73,658	69,515	37,211	35,899

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2016 and 2015 relate to the following:

	Group	
	2016	2015
	€'000	€'000
Annual statutory audit	135	118
Other assurance services	14	36
Tax advisory and compliance services	18	10
Other non-assurance services	27	35
	194	199

26. Employee benefit expense

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Wages and salaries	15,828	14,940	10,415	10,050
Social security costs	1,186	1,075	763	744
Other employee related costs	53	47	53	47
	17,067	16,062	11,231	10,841
Recharged to subsidiaries	-	-	(1,278)	(1,184)
	17,067	16,062	9,953	9,657
Termination benefits	62	113	62	113
	17,129	16,175	10,015	9,770

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

	Group		Company	
	2016	2015	2016	2015
Brewing, production and sale of branded beers and beverages	497	495	479	477
Importation, wholesale and retail of food and beverages, including wines and spirits	80	76	-	-
Operation of franchised food retailing establishments	229	205	-	-
	806	776	479	477

27. Net Exchange differences

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Foreign exchange differences	(62)	4	(73)	(2)
Fair value gains/(losses) on derivative instruments:				
- Foreign exchange forward contracts	40	(9)	40	(9)
	(22)	(5)	33	(11)

28. Finance income

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Interest on loans and receivables	14	12	-	8
Interest on amounts owed by subsidiaries	-	-	124	115
Other interest	-	-	9	-
	14	12	133	123

29. Finance costs

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Interest on bank loans and overdrafts	268	405	223	372
Interest on bonds	900	900	900	900
Fair value loss on derivative financial instruments	194	153	194	153
Other finance costs	15	14	33	33
	1,377	1,472	1,350	1,458

During the year ended 31 January 2016, the company was granted net interest subsidy amounting to €80,000 (2015: €65,000) from Malta Enterprise related to approved investment loans of €6.2 million (2015: €3.9 million). A net effective interest rate of 1.2% (2015: 1.5%) 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.

30. Tax income

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Current tax expense	728	557	411	-
Deferred tax income (note 21)	(3,405)	(8,414)	(2,136)	(6,625)
Tax income	(2,679)	(7,857)	(1,725)	(6,625)
Disclosed as:				
Continuing operations	(869)	(5,222)	(1,513)	(5,665)
Discontinued operations (note 24)	(1,810)	(2,635)	(212)	(960)
	(2,679)	(7,857)	(1,725)	(6,625)

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Profit before tax from continuing operations	10,112	8,235	8,251	6,955
Loss for the year from the discontinued operations	(1,568)	(8,083)	(1,009)	(8,000)
Profit/(loss) before tax	8,544	152	7,242	(1,045)
Tax on profit/(loss) at 35%	2,990	53	2,535	(366)
Tax effect of:				
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	(941)	1,873	(941)	1,873
Unrecognised deferred tax assets	(3,402)	(10,002)	(3,402)	(10,002)
Differences related to termination benefits	33	32	33	32
Over provision in unrecognised and recognised deferred tax related to prior years	88	-	-	-
Impairment on immovable property	545	-	545	1,840
Changes in tax rules on immovable property	(1,777)	-	(405)	-
Non allowable expenses and other differences	52	187	(90)	(2)
Share of results of associate	(267)	-	-	-
Tax income	(2,679)	(7,857)	(1,725)	(6,625)

31. Directors' emoluments

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
<i>Amounts paid</i>				
Fees	192	192	192	192
Salaries	58	44	58	44
Other emoluments	238	222	238	222
	488	458	488	458
<i>Amounts provided for</i>				
One time gratuity	125	-	125	-
Total directors remuneration	613	458	613	458

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.

The Board approved the granting of a one time gratuity payment of €125,000 to the former Vice Chairman after the completion of 37 years of valid service in the post. This amount will only be paid following its ratification at the forthcoming Annual General Meeting.

32. Earnings per share

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

	Group	
	2016	2015
Profit from continuing operations attributable to shareholders (€'000)	10,981	13,457
Profit/(loss) from discontinued operations attributable to shareholders (€'000)	242	(5,448)
Profit attributable to shareholders (€'000)	11,223	8,009
Weighted average number of ordinary shares in issue (thousands)	30,000	30,000
Earnings per share for the year attributable to shareholders arising from:		
Continuing operations	€0.366	€0.449
Discontinued operations	€0.008	(€0.182)
	€0.374	€0.267

Earnings per share from continuing operations decreased from €0.449 in 2015 to €0.366 in 2016. Despite this decrease, profit before tax from continuing operations increased from €8,235,000 in 2015 to €10,112,000 in 2016. The decrease in the earnings per share from continuing operations is mainly attributable to a deferred tax credit of €5,274,000 recognised in 2015 as compared to a similar deferred tax credit of €1,080,000 recognised in 2016.

33. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Operating profit from continuing operations	11,475	9,695	9,468	8,290
Operating loss from discontinued operations	614	(83)	1,173	-
Operating profit	12,089	9,612	10,641	8,290
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	5,543	5,672	4,555	4,664
Profit/(Loss) on disposal of property, plant and equipment	359	(13)	-	(10)
Impairment investment property	81	-	-	-
Impairment of intangible assets (note 7)	271	376	-	-
Amortisation of intangible assets (note 7)	32	28	-	-
Amortisation of bond issue costs (note 20)	35	36	35	36
Increase in provision for impairment of trade and other receivables (note 12)	477	492	428	425
Provision for termination benefits (note 22)	46	113	46	113
	18,933	16,316	15,705	13,518
Changes in working capital:				
Inventories	(1,217)	173	(414)	94
Trade and other receivables	(1,495)	55	(592)	(160)
Trade and other payables	2,007	1,217	1,104	326
Cash generated from operations	18,228	17,761	15,803	13,778

34. Commitments

Capital commitments

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Authorised but not contracted	16,009	24,213	14,533	22,807
Contracted but not provided for	12,209	5,586	12,209	5,586
	28,218	29,799	26,742	28,393

Operating lease commitments – where a group company is a lessee

These leases principally relate to property and operational equipment 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	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Not later than 1 year	601	522	-	-
Later than 1 year and not later than 5 years	2,460	1,965	-	-
Later than 5 years and not later than 30 years	1,868	1,559	-	-
	4,929	4,046	-	-

Operating lease commitments – where a group company is a lessor

These leases principally relate to property rentals. Related income is recognised under discontinued operations.

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

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Not later than 1 year	350	345	-	-
Later than 1 year and not later than 5 years	1,262	1,379	-	-
Later than 5 years	888	1,114	-	-
	2,500	2,838	-	-

35. Contingent liabilities

At 31 January 2016, the group and the company had contingent liabilities amounting to €3,482,000 (2015: €2,379,000) and €1,181,000 (2015: €578,000) 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.

36. Related party transactions

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

	Percentage of shares held	
	2016	2015
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% (2015: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Income from goods and services				
- Sales of goods to subsidiaries	-	-	1,829	1,589
- Sales of goods to related parties	291	143	120	100
- Recharge of costs to subsidiaries	-	-	1,621	1,219
- Recharge of payroll costs to subsidiaries	-	-	1,663	1,603
- Finance income on loans to subsidiaries	-	-	124	115
	291	143	5,357	4,626
Expenditure for goods and services				
- Purchases of goods from subsidiaries	-	-	756	768
- Purchases of goods and services from related parties	735	735	573	555
- Finance costs on loans from subsidiaries	-	-	34	34
	735	735	1,363	1,357

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

	Group	
	2016	2015
	€'000	€'000
Directors	613	458
Senior Management	562	504
	1,175	962

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

37. Statutory information

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

38. Comparative information

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

39. Subsidiaries and jointly-controlled entities

The principal subsidiaries at 31 January 2016 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2016	2015
EcoPure Limited	The Brewery, Mdina Road, Mriehel	Sale and distribution of bottled water	100	100
Farsons Distribution Services Limited	The Brewery, Mdina Road, Mriehel	Non-operating	100	100
Farsons Beverage Imports Company Limited	The Brewery, Mdina Road, Mriehel	Importation and wholesale of beverages, wines and spirits	100	100
Farsons Italia S.r.l. (in liquidation)	Via del Concilio 17, 20045 Lissone, Milan - Italy	Non-operating	100	100
Food Chain Limited	303, Qormi Road, Marsa	Operation of franchised food retailing establishments	100	100
Galleria Management Limited	The Brewery, Mdina Road, Mriehel	Non-operating	100	100
Mensija Catering Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	100	100
Portanier Warehouses Limited	The Brewery, Mdina Road, Mriehel	Property leasing	100	100
Quintano Foods Limited	303, Qormi Road, Marsa	Importation and wholesale of food products	100	100
Sliema Fort Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	100	100
Trident Developments Limited	The Brewery, Mdina Road, Mriehel	Intermediate investment management and property holding	100	100
FSG Company Limited	The Brewery, Mdina Road, Mriehel	Investment holding	50	50
Malta Deposit and Return System Limited (in liquidation)	Mizzi House, National Road, Blata I-Bajda	Waste management activities	56	56

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the company

	Ordinary shares held as at 31 January 2016	Ordinary shares held as at 12 May 2016
Louis A. Farrugia	22,764	22,764
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Marquis Marcus John Scicluna Marshall	5,857	5,857
Marcantonio Stagno d'Alcontres	2,858	2,858
Vincent Curmi (up to 1 July 2015)	6,067	6,067

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

Mr Marcantonio Stagno d'Alcontres has a beneficial interest in M.S.M. Investments Limited. Besides having a beneficial interest represented by 1 share in Farrugia Investments Limited, Mr Louis A. Farrugia has a beneficial interest in 25% of the shares in Farrugia Holdings Limited which holds 42,916 shares in Simonds Farsons Cisk plc. Mr Michael Farrugia has a beneficial interest in 42,916 Ordinary shares registered in the name of Farrugia Holdings Limited. Marquis Marcus John Scicluna Marshall and Baroness Christiane Ramsay Pergola have a beneficial interest in Sciclunas Estates Limited. Mr Vincent Curmi has a beneficial interest in a further 5,250 Ordinary shares registered in the name of the Estate of Marchese John Scicluna. There has been no movement in the above stated shareholdings during the period from 31 January 2016 to 12 May 2016.

Shareholders holding 5% or more of the equity share capital as at 12 May 2016

Ordinary shares

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

Shareholding details

As at 12 May 2016, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,830

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 12 May 2016

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	612	141,361	0.47%
501 - 1,000	354	254,848	0.85%
1,001 - 5,000	656	1,470,011	4.90%
More than 5,000	208	28,133,780	93.78%
	1,830	30,000,000	100.00%

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FIVE YEAR SUMMARISED GROUP RESULTS

	2016	2015	2014	2013	2012	
	€'000	€'000	€'000	€'000	€'000	
Revenue	85,255	79,503	78,629	77,180	70,851	
Operating costs	(73,929)	(69,891)	(70,235)	(69,204)	(64,425)	
Operating profit	11,326	9,612	8,394	7,976	6,426	
Changes in fair value of investment property	(2,182)	(8,000)	-	-	-	
Share of results of associate	763	-	-	-	-	
Net finance costs	(1,363)	(1,460)	(1,542)	(1,495)	(1,346)	
Profit/(loss) before taxation arising from:						
- continuing operations	10,112	8,235	6,852	6,481	5,080	
- discontinued operations	(1,568)	(8,083)	-	-	-	
Tax	2,679	7,857	(527)	(512)	(358)	
Profit attributable to Ordinary shareholders	11,223	8,009	6,325	5,969	4,722	
Net dividends paid on Ordinary shares	3,000	2,500	3,100	2,100	2,000	
Shareholders' funds	109,459	100,235	95,274	91,925	88,186	
Borrowings	26,833	24,290	27,077	29,703	32,988	
Total capital employed	136,292	124,525	122,351	121,628	121,174	
Fixed Assets	90,641	80,888	119,854	120,271	117,556	
Non-current Assets	6,967	3,085	1,739	2,270	2,108	
Current assets	33,407	32,597	28,942	28,990	28,209	
Assets held for sale	31,558	33,041	-	-	-	
Liabilities (excluding borrowings)	(26,281)	(25,086)	(28,184)	(29,903)	(26,699)	
Total assets less liabilities	136,292	124,525	122,351	121,628	121,174	
Shares in issue during the financial year:						
- Ordinary shares	'000	30,000	30,000	30,000	30,000	
Number of Ordinary shareholders	1,830	1,809	1,796	1,790	1,781	
Earnings per Ordinary share (reference note 32)	€0.374	€0.267	€0.211	€0.199	€0.157	
Return on average capital employed	percentage	8.7	7.8	6.9	6.6	5.4
Dividend cover	times	3.74	3.20	2.04	2.84	2.36
Dividends per Ordinary share (net of tax)	€0.100	€0.083	€0.103	€0.070	€0.067	
Net asset value per Ordinary share	€3.65	€3.34	€3.18	€3.06	€2.94	
Gearing	percentage	18.22	16.48	21.38	24.09	26.88

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

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

Return on average capital employed is calculated by dividing operating profit by the average of the opening and closing total capital employed for the relevant year.

Dividend cover is calculated by dividing the profit attributable to the Ordinary shareholders by the total net dividends paid during the year.

Net asset value per Ordinary share is calculated by dividing shareholders' funds attributable to the Ordinary shareholders by the number of Ordinary shares in issue at the end of the year.

Gearing is calculated by dividing net borrowings by the sum of total equity and net borrowings.



FARSONS GROUP

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