Simonds Farsons Cisk plc

Annual Report 2016/17

FOR THE YEAR ENDED 31 JANUARY 2017

FARSONS GROUP

Farsons

Farsons Group

Brand Portfolio

Simonds Farsons Cisk plc

Annual Report 2016/17

Contents

CHAIRMAN'S STATEMENT

I AM PLEASED TO ONCE AGAIN REPORT ANOTHER YEAR OF PROFITABLE GROWTH FOR THE FARSONS GROUP. GROUP TURNOVER HAS REACHED A RECORD OF €88,119,000, AN INCREASE OF 2.4% OVER THE PREVIOUS FINANCIAL YEAR. GROUP PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS AMOUNTED TO €11,858,000, REPRESENTING AN INCREASE OF 8% OVER LAST YEAR. GROUP PROFIT FOR THE YEAR INCLUDING THE PROFIT FROM DISCONTINUED OPERATIONS AMOUNTED TO €12,132,000, AN INCREASE OF 8% FROM LAST YEAR'S RESULT OF €11,223,000.

As described within the Directors' and Chief Executive's report accompanying these audited results, this strong performance has been achieved as a result of a series of favourable factors namely, the growth of the economy, an improved beer portfolio that was possible thanks to the investment in new beer products and packages, the sustained management and staff efforts aimed at enhancing our operational productivity and efficiencies, and the improved performance of our food sector. This Annual Report highlights the results achieved across the group's activities through the determined effort of all group employees led by a committed management team whose primary focus has been to grow the business mainly through innovation and export initiatives.

The successive good results achieved over the last few years have allowed us to pursue an aggressive capital expenditure programme, that includes the recently inaugurated Beer Packaging Facility, as well as several other projects such as the addition of 4,000 new pallet spaces to our logistics operation, the development of an additional 1,700 square metres of new and modern office space for all our office employees, the addition of three new loading bays servicing our logistics centre specifically designed to facilitate our export and import operations, the investment in a new kegging line and a new vehicle parking facility able to accommodate our expanding truck fleet. All these projects are being undertaken concurrently and are being overseen by our own management teams.

As I have previously reported to you over the last few years, our recent operational investments have all occurred to the south of the original brewery building. These investments have allowed us to free up the 1950 building whilst we have been working on plans to convert the partly scheduled building into a business park and the old Brewhouse into a Farsons visitor's centre including retail, office and catering space. This Annual Report documents the images of this new major real estate development.

Over the years, the group has acquired a significant base of real estate. Although most of our real estate portfolio is utilised within the group's core brewing and beverage operations, this portfolio also includes properties that offer clear scope for re-development. On 14 June 2014, the company announced that the Board felt it appropriate to seek the implementation of a 'spin-off' of these properties. Your Board is now seeking your approval, at the forthcoming Annual General Meeting, to implement this proposal. The spin-off is intended to be effected by way of a distribution of the shares in Trident Estates Ltd to the shareholders pro rata to the shares held by them in Simonds Farsons Cisk plc at the time of issue of such shares. In order for the financial implications of the spin-off to be clearly understood, a circular containing the details of this transaction is being included with this Annual Report. Trident Estates Ltd intends to file an application with the Listing Authority for admission to listing of its shares on the Malta Stock Exchange, thus Trident Estates Ltd will become a public limited company. If approved, the resolution will permit the Board to take all the measures that it may deem necessary to implement the said spin-off.

The list of properties forming part of the spin-off have been revalued by a firm of professional architects to reflect current market values, and are included within the statement of financial position as at 31st January 2017. This revaluation has resulted in a surplus net of deferred tax of €4,666,000 credited to reserves and €375,000 to the profit for the year in accordance with current accounting standards.

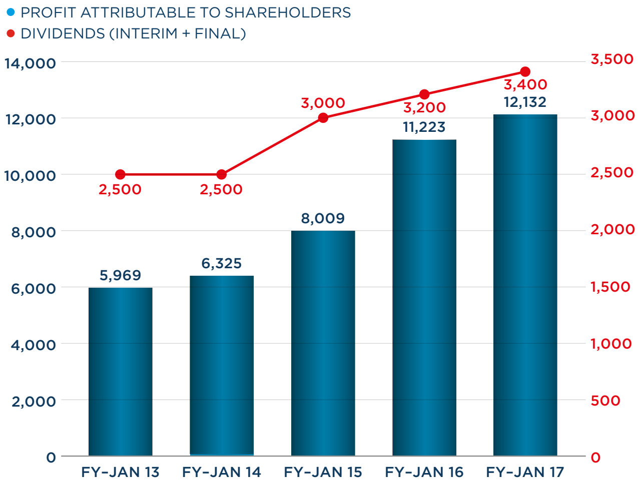
I would like to also emphasise the acceptable gearing ratio registered this year despite the heavy capital expenditure undertaken. The ratio stood at 22% at the year-end compared to 18% last year. Earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year reached €20,662,000, an increase of €1,982,000 over last year. As stated above, this strong cash flow generation has allowed us to approve a relatively intensive capital expenditure programme. Your Board is now evaluating the current debt structure for the group including the possibility to redeem the existing Bonds and issue new Bonds over the coming months.

Given our performance, and also recognising the capital expenditure programme currently under way, your Board is recommending the payment of a total dividend of €3,400,000, of which €1,000,000 has already been paid as an interim dividend in October 2016. Your Board is naturally pleased that the market capitalisation of the Farsons Group over the last five years has quadrupled in value.

As I write this report, the market value of the group has reached €223,200,000. We have always been prudent in our approach to investment and risk taking, and the Farsons Group has clearly based its business values on a solid footing. We take pride in being a model, law abiding corporate entity and actively participate in community activities by supporting social, cultural and sporting initiatives. The Farsons Foundation, chaired by our ex-Chairman Mr Bryan Gera, has been very active with such support. Furthermore, our Business Park and old Brewhouse project is sensitive to the heritage value of the brewery building and consideration is being given in order to carefully preserve the artefacts together with the architectural and historical value of the building.

I pay tribute, and extend my gratitude, to my fellow colleague Board members who have always acted in the best interest of the group by tendering their wise counsel and also

DECLARED DIVIDENDS OVER THE PAST FIVE YEARS



sharing their own valuable experiences whenever difficult decisions must be taken. The Board committees recently appointed, and particularly the Audit Committee, play an important function in the vital governance measures put in place by the Board.

I would also like to thank Norman Aquilina, our Group CEO, together with all the members of the group's senior management, who are responsible for the delivery of these impressive results. During these past years, I have been close at hand attending to the day to day need of the business. However, as part of the necessary process of succession planning, I am striving to hand over more executive responsibilities over time.

We have restructured the Group Executive Board, which I have regularly chaired, into a Senior Management Board under the direction of the CEO. I shall maintain regular contact with senior management and keep abreast of developments whilst at the same time fulfilling my role as Chairman of the company.

I wish to sincerely thank all Farsons Group employees for their continued and relentless commitment and dedication, without which these results, would not have been possible.

I must now thank you, our shareholders, for your continued support throughout and for having confidence in the Farsons Group. We are about to enter a new phase in Farsons' proud history and I am confident that we shall continue to build the company on even more solid ground.

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

Louis A. Farrugia *Chairman*
4 May 2017

THE HOME OF CISK

NEW BEER PACKAGING FACILITY INAUGURATION

On 7 September 2016, during a memorable event presided by the Prime Minister of Malta, blessed by His Grace the Archbishop of Malta, and attended by the group's principal partners, dignitaries and guests, the new Beer Packaging Facility was inaugurated. This important milestone heralded a new chapter in Farsons' history.

Soprano Gillian Zammit entertains guests during the opening ceremony.

Mr Louis A. Farrugia unveils the new range of brews during his welcome address.

Guests were treated to a spectacular multi-screen view of the first bottles rolling off the line.

With a total footprint of 4,500 square metres, the new facility has the capacity to package both bottles and cans at impressive speeds.

DIRECTORS, BOARD COMMITTEES, GROUP EXECUTIVES & SENIOR MANAGEMENT

THE BOARD OF DIRECTORS

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

GROUP EXECUTIVE BOARD

Louis A. Farrugia - *Chairman*
Norman Aquilina - *Group Chief Executive*
John Bonello Ghio - *Group Head of Food Business*
Antoinette Caruana - *Group HR Manager and Company Secretary*
Eugenio Caruana - *Chief Operations Officer Designate*
Michael Farrugia - *Chief Business Development Officer*
Ray Sciberras - *Chief Operations Officer*
Anne Marie Tabone - *Chief Financial Officer Designate*
Charles Xuereb - *Chief Financial Officer*
Chief Executive Officer Designate – Trident Estates
Arthur Muscat - *Secretary*

SENIOR MANAGEMENT BOARD

Norman Aquilina - *Group Chief Executive*
John Bonello Ghio - *Group Head of Food Business*
Chris Borg Cardona - *Head of Logistics*
Antoinette Caruana - *Group HR Manager and Company Secretary*
Stefania Calleja - *Head of Sales and Customer Relations*
Eugenio Caruana - *Chief Operations Officer Designate*
Dr Christopher Ciantar - *Chief Operations Officer – Trident Estates*
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*
Anne Marie Tabone - *Chief Financial Officer Designate*
Susan Weenink - *Head of Marketing and Communications*
Charles Xuereb - *Chief Financial Officer*
Chief Executive Officer Designate – Trident Estates

CORPORATE GOVERNANCE COMMITTEE

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

RELATED PARTY TRANSACTIONS COMMITTEE

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

NEW VENTURES/ACQUISITIONS/MERGERS COMMITTEE

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

BOARD PERFORMANCE EVALUATION COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

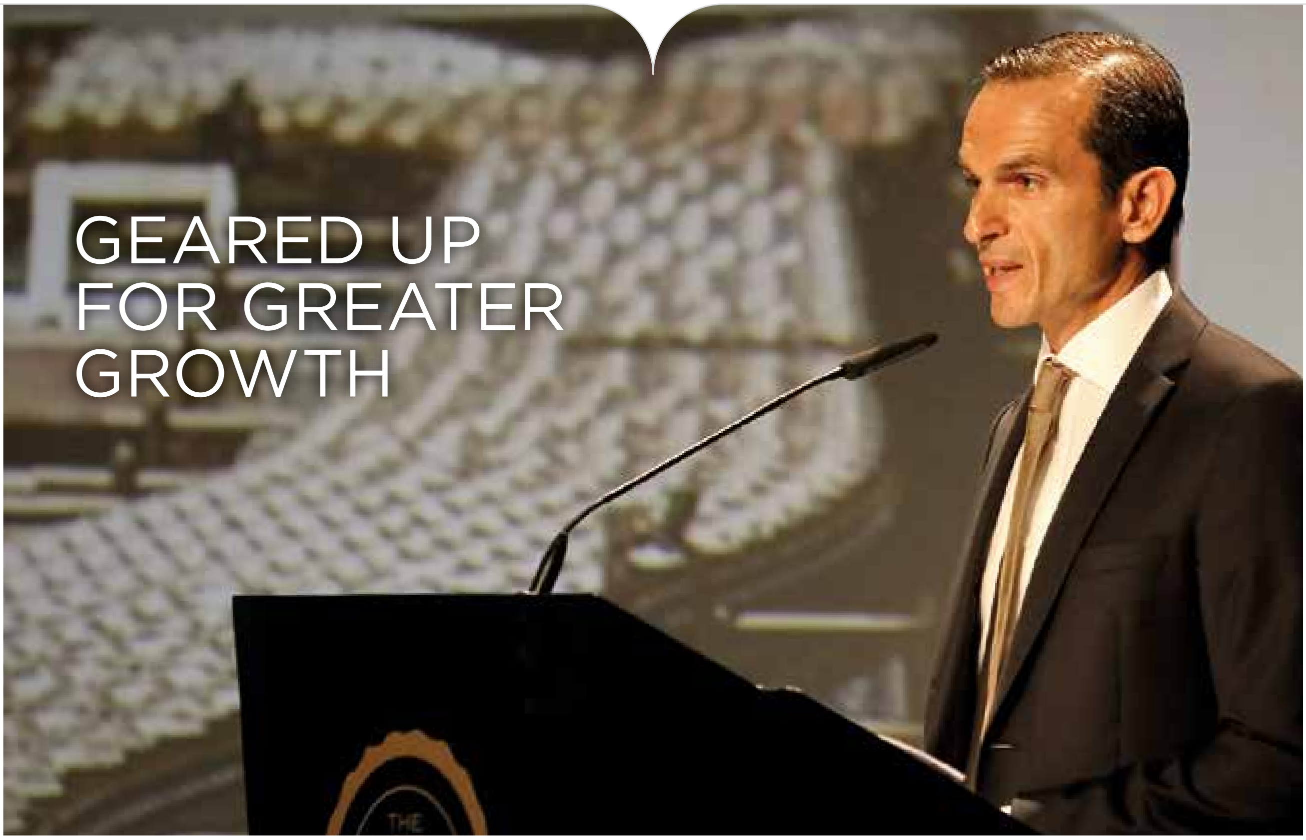
Louis A. Farrugia - *Chairman*
Dr Max Ganado
Marquis Marcus John Scicluna Marshall
Marcantonio Stagno d'Alcontres

AUDIT COMMITTEE

Roderick Chalmers - *Chairman*
Marina Hogg
Marquis Marcus John Scicluna Marshall
Marcantonio Stagno d'Alcontres - *up to 31 January 2017*

FARSONS FOUNDATION BOARD OF TRUSTEES

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



GROUP CHIEF EXECUTIVE'S REVIEW

ANOTHER YEAR HAS PASSED, AND WE HAVE YET AGAIN SUCCESSFULLY MAINTAINED OUR CONSISTENCY IN DELIVERING IMPROVED YEAR-ON-YEAR RESULTS. THIS IS ENCOURAGING IN THE CONTEXT OF THE GROUP'S OUTREACHING VISION AS WE GRADUALLY BUT STEADILY EXTEND OUR GROWTH AMBITIONS TO NEW EXPORT MARKETS.

FURTHERMORE, 2016 WAS A YEAR OF PARTICULAR IMPORTANCE, GIVEN WE REACHED A KEY MILESTONE IN OUR CONTINUED INVESTMENT PLANS TO RENEW ALL OUR BREWING AND BEVERAGE PRODUCTION AND PACKAGING FACILITIES.

Our strategic – and timely – investment in a €27 million Beer Packaging Facility has now come to fruition. It was certainly a challenging year, given the magnitude of the resources needed to implement this investment, but it was equally gratifying to see such a significant investment completed on time and within budget.

GEARED UP FOR GREATER GROWTH

As we follow our vision to internationalise our business, we are now geared up for greater growth. Without doubt, we are now more competitive, and can present our brands in innovative packaging and extend our reach to new and exciting markets. With this strategic investment in place, we are, more than ever before, geared up to pursue our export growth strategy.

We have posted a record profit of €12 million, registering an increase of €0.9 million or 8%, while pre-tax profit from continuing operations amounted to €11 million, representing 13% of turnover and an improvement of 13% compared to last year.

Group turnover also reached record levels at €88 million, a growth of 2% on the previous year. Operational overheads remained largely flat and the resulting operating profit amounted to €13 million, equivalent to 15% of turnover.

The strong performance was registered across the group. Throughout the year, management has continued to drive forward measures which further improve productivity and overall efficiency along with higher quality standards.

The strong performance for the financial year also impacted positively the earnings before interest, tax, depreciation and amortisation (EBITDA) that amounted to €20.7 million, an increase of €2 million over last year. The group's borrowings increased by €9 million, mainly as a result of the significant investment in the new Beer Packaging Facility. The gearing ratio as at year-end stood at 22% compared to 18% in 2016, while total equity increased to €123 million from €109 million.

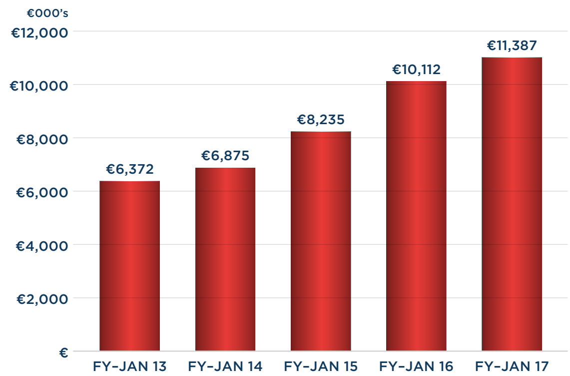
On the production side, the beer segment continued to register positive results, notwithstanding the increased depreciation following the commissioning of the new Beer Packaging Facility. On the other hand, the continued spotlight on obesity and sugar consumption, coupled with the introduction of an excise duty payable on water and soft drinks, dampened the consumption of soft drinks.

Our beverage importation business registered a positive performance with revenue growth across our portfolio. At the same time, our food importation business posted an encouraging performance and has registered a notable growth in turnover and contribution.

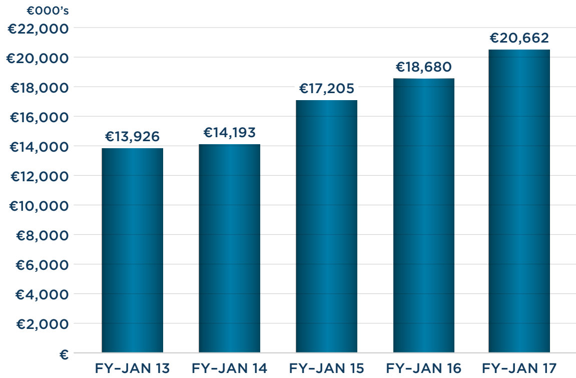
The franchised food business also registered another positive year, with increases in sales, guest count and profitability.

"2016 WAS A YEAR OF PARTICULAR IMPORTANCE, GIVEN WE REACHED A KEY MILESTONE IN OUR CONTINUED INVESTMENT PLANS TO RENEW ALL OUR BREWING AND BEVERAGE PRODUCTION AND PACKAGING FACILITIES."

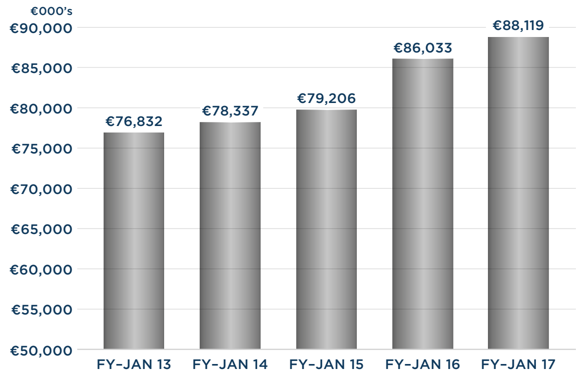
GROUP PROFITABILITY BEFORE TAX FROM CONTINUING OPERATIONS



GROUP EBITDA FROM CONTINUING OPERATIONS



GROUP TURNOVER FROM CONTINUING OPERATIONS



KEY GROUP PERFORMANCE HIGHLIGHTS FROM CONTINUING OPERATIONS

ACTUAL vs LAST YEAR vs FIVE YEAR COMPARATIVES

	FY Jan 2017 €'000	Improvement vs FY Jan 2016	Improvement vs FY Jan 2013
Turnover	€88,119	2%	15%
Operating Profit	€12,852	12%	63%
Pre-tax Profit	€11,387	13%	79%
Post-tax Profit	€11,858	8%	102%
EBITDA	€20,662	11%	48%
Earnings per Ordinary share	€0.395	8%	102%
Return on Average Capital Employed	8.7%	-0.1pp	2.1pp
Gearing	22.21%	3.99pp	-1.88pp

MARKET TRENDS AND DEVELOPMENTS

The year was characterised by a number of factors, some favourable and others less so.

The economic outlook remained positive, with over two million tourist visitors leading to increased expenditure and more bed nights; the Maltese economy also exhibited low unemployment, stable inflation, and increased consumer spending. The weather was also favourable, and a mild start to the year boosted beverage consumption in traditionally lean months. In addition, the UEFA Euro 2016 Finals offered increased opportunity for consumers to get together, providing us with added consumption occasions for our food and beverage brands.

However, the continued spotlight on obesity and sugar consumption in products such as soft drinks, coupled with the introduction of an Excise Duty payable on water and soft drinks in October 2015 (further increased in the case of soft drinks in October 2016), dampened the consumption of soft drinks.

In view of evolving lifestyles and consumers' on-going quest for convenience – in shopping locations, packaging and choice of brands – we adapted our marketing strategies and tactical initiatives accordingly.

Shopper habits continue to shift towards smaller but more frequent shopping experiences. Health and functionality are key attributes that consumers look for, high on the list of priorities at the point of purchase. Anti-alcohol campaigns also gained momentum, with a marked increase in alcohol-avoidance, particularly amongst young people. Socialising and entertaining at home continues to increase and this, in turn, presents us with a number of challenges and also opportunities.

"IN VIEW OF EVOLVING LIFESTYLES AND CONSUMERS' ON-GOING QUEST FOR CONVENIENCE – IN SHOPPING LOCATIONS, PACKAGING AND CHOICE OF BRANDS – WE ADAPTED OUR MARKETING STRATEGIES AND TACTICAL INITIATIVES ACCORDINGLY."

OPERATIONAL HIGHLIGHTS

The operational highlight of last year was, without doubt, the commissioning of the new Beer Packaging Facility. This was a major and complex investment, and all our resources and attention were focused on getting the line up and running on all the different products and packaging formats, debugging problems and learning how to operate and maintain it.

In mid January 2016 we wound down the old glass line and dismantled two particular pieces of modern equipment which were subsequently installed on the new line. As a result, the old line was no longer operational and market demand was met from stock till the new line was operational in April.

The line's performance immediately gave us the confidence and reassurance that the quality of the plant we had invested in would meet our expectations. Following commissioning, we started filling different beer and soft drinks products and packaging them in different bottle sizes and different packaging solutions. As a result of this investment, unlike what used to happen previously, we are now filling and packaging one way glass bottles without manual interventions and now also have the possibility of using pressure sensitive self adhesive labels. The speed of the new canning line is three times faster than that of the old line.

In August, the lines, operated entirely by Farsons employees, were tested for performance guarantees under the supervision of independent consultants. Expectations were met and exceeded, proving not only the capability of our production staff, but also confirming that the training given by our suppliers both in Germany and in Malta has been successful.

ENVIRONMENTAL REVIEW

Sensitive to the impact our business has on the environment, we have continued to maintain a responsible approach, contributing as much as we can towards a more circular economy – re-use, recycle and recover. A key consideration relates to how we deal with the packaging waste we place on the market. For a number of years our group has maintained its obligation to recover the majority of the equivalent tonnage of packaging waste we placed on the market. This is achieved by means of our membership and significant financial contribution with both registered waste recovery schemes which are entrusted with this task.

It is also to be noted that whereas market developments over the years have created demands for one–way plastic (PET) bottles and cans, recovery of which is made via the waste recovery schemes, we have maintained the bulk of our glass bottle production in reusable bottles, apart from a material part of our business still being supplied to the market in reusable kegs.

Even from a production and logistics point of view, we have made, and continue to make, significant investments to improve our energy efficiency and reduce as much of our carbon footprint as possible.

All our production facilities are audited, accredited and certified, adhering to the standards of BRC – British Retail Consortium Food Safety Standard, ISO 9001/2008, HACCP – Hazard Analysis Critical Control Points, and AIB, unannounced audits to satisfy PepsiCo standards. This, is in addition to the ongoing quality checks under our licencing agreement with Carlsberg.

Investing to become even more efficient; the new Loading Bays and Kegging Plant.

"...WE HAVE CONTINUED TO MAINTAIN A RESPONSIBLE APPROACH, CONTRIBUTING AS MUCH AS WE CAN TOWARDS A MORE CIRCULAR ECONOMY."

INVESTING IN OUR PEOPLE AND INFRASTRUCTURE

The Farsons Group is committed to the belief that if the opportunities for growth are to be realised, we need to aspire to reach higher standards in all that we do. The group's milestone investments are now completed but the group continues to invest on an ongoing basis. Works on extending our warehousing facilities are well under way and new loading/unloading bays should be completed over the next few months. Before the end of the year, our kegging facilities shall be replaced with a new plant set to enhance the efficiency ratings of our kegging operations. We are also investing in new office space, allowing for a more pleasant working environment in keeping with modern standards.

Our investment however, goes beyond our infrastructure. Building a more diverse and inclusive workforce is critical to developing a successful and sustainable business. Recognised as an exemplary employer, Farsons human resources strategy attracts, develops and retains talent and we implement programmes and initiatives which empower and motivate our employees to perform at their best.

The group's values are embedded in our policies and procedures both internally and externally. To further build skills and reinforce a positive on-the-job attitude, employees attended 11,000 hours of training this year, apart from on-the-job training.

The Farsons Group seeks to provide an open and motivating working environment, essential in the context of the multiple projects and change initiatives being undertaken. We truly believe that 'every employee makes a difference'.

Artist's impression

We are also investing in creating a modern office workspace designed to improve communication, motivation and productivity.

"TO FURTHER BUILD SKILLS AND REINFORCE A POSITIVE ON-THE-JOB ATTITUDE, EMPLOYEES ATTENDED 11,000 HOURS OF TRAINING THIS YEAR, APART FROM ON-THE-JOB TRAINING. "

The Logistics Centre extension wil bring our total pallet capacity to over 18,000.

Farsons Group

Engaging talent and empowering employees to deliver sustainable and quality driven operations

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

REVIEW OF BUSINESS SECTORS: BEERS

Against the mixed market backdrop outlined earlier, our portfolio of beer and soft drinks brands registered mixed results. In an evolving beer market, though there is increased competition, there is also the opportunity to grow the overall sector and increase hitherto relatively low per capita consumption. The international 'Craft Beer Revolution' has firmly reached our shores, bringing a proliferation of competing imported brands vying for a share of this growing segment, whilst offering key players a platform on which to build and grow.

Cisk Pilsner, a premium pilsner combining a tradition of brewing excellence and passion quickly established itself as the beer of choice for discerning beer connoisseurs.

There is a growing interest amongst both consumers and trade in brands as well as the type and origin of product ingredients. Premium quality and taste are much sought after, with craft and speciality beers punching above their weight in terms of value; welcome news in an otherwise relatively flat scenario. Despite increased consumption opportunities as a result of a larger population and increased tourism, mainstream brands are under pressure from these premium craft beers on one side, and ever-popular value brands on the other.

The commissioning of our new Beer Packaging Facility, and investments in related plant and of course human resources, were therefore timely strategic developments. This enabled us not only to evolve our flagship Cisk portfolio but also to develop new beers under the Farsons Classic Brews umbrella, which enabled Farsons to seize the opportunities offered by market developments. The Cisk portfolio remains key to our overall performance in the local beer market. Following the launch of a refined brand identity in 2015, and backed by marketing campaigns and promotions, as well as music and sports sponsorships and events, Cisk Lager proved its ongoing resilience in the face of increasing competition, growing further to deliver another very strong set of results.

With sustained demand for 'better for you' products, Cisk Excel, Malta's only low-carbohydrate beer, also delivered another year of growth. Now also available on draught, this award-winning variant continues to exceed expectations as one of the fastest growing brands in Malta.

With its distinct clear bottle and unique fun and fruity character, Cisk Chill flavoured lager beer kept its annual appointment with the market, and was released for sale ahead of summer. In addition to the popular lemon and berry flavours, Cisk Chill is now also available in ginger and lime, satisfying the preference of some consumers for a sweeter taste.

Anticipating market trends, we introduced a new, high-quality premium variant - Cisk Pilsner, a premium pilsner combining a tradition of brewing excellence and passion with the finest quality Pilsen malt and Noble hops of the Saaz variety. With an alcohol content of 5.5%, Cisk Pilsner has a remarkably crisp and well-hopped flavour and was launched in the distinctive bespoke 33cl one-way bottles, supported by a strong integrated marketing campaign. This variant quickly established itself as the beer of choice for discerning beer connoisseurs.

It's time to chill again! A new Ginger & Lime flavoured variant joins the Cisk Chill portfolio.


CISK
LAGER BEER
CISK
LAGER BEER
SINCE 1929


OUR
TIME
IS NOW
#CiskTIME

FARSONS SPECIALITY BREWS

Hot on the heels of the launch of Cisk Pilsner, Farsons Classic Brews were officially launched at the Farsons Beer Festival held at Ta' Qali National Park towards the end of July. This range consists of a refined and enriched Blue Label, originally launched in 1928 and now with an alcohol content of 4.7%, Farsons Double Red, a 6.8% strong ale with a distinct deep brown colour, and Farsons India Pale Ale, a 5.7% bitter ale brewed with high quality malt and traditional English hops.

We are encouraged that these ales are already receiving attention and recognition on the international platform. In fact, in the 2016 edition of the Brussels Beer Challenge, Farsons Double Red was awarded gold in the Pale & Amber Ale: Strong/Extra Special Bitter category while Farsons Blue Label Ale was awarded silver in the Pale & Amber Ale: Best Bitter category.

WINNER
GOLD MEDAL
BRUSSELS BEER CHALLENGE
2016

WINNER
SILVER MEDAL
BRUSSELS BEER CHALLENGE
2016

Pale & Amber Ale:
Strong/Extra Special Bitter Category

Pale & Amber Ale:
Best Bitter Category

These two prestigious awards at the Brussels Beer Challenge are a significant achievement and evidence of Farsons brewers' dedication to excellence.


DRAUGHT
IN A
CAN
SMOOTH & CREAMY
SMOOTH & CREAMY
DRAUGHT
FARSONS CLASSIC BREWS SINCE 1928
FARSONS
BREWERY
BLUE LABEL
ALE
Original
AMBER ALE
MALTA
ES 1928 TD
THE FAMOUS ORIGINAL RECIPE
BREWED WITH THE
SAME PASSION SINCE 1928
FARSONS
BREWERY
SMOOTH AND CREAMY
DRAUGHT
FARSONS
Blue Label Draught Smooth & Creamy – now available in a can with an inbuilt widget allowing you to enjoy this special ale from the comfort of your home. This widget technology releases just the right amount of nitrogen to create the perfect surge and distinct smooth & creamy finish.
4.7% ABV

Brewed and marketed by Farsons under licence for almost 40 years, Carlsberg, 'probably the best beer in the world', took centre stage during the UEFA Euro 2016 Finals held between May and June as the Official Beer of this highly anticipated major football event. With the friendly rivalry amongst the thousands of football fans who attended the various 'Fan Villages' set up across the island, this global sponsorship event gave that welcome boost to the sales performance of this key brand in the Farsons' beer portfolio.

A leading player in the value segment of the beer market, the Skol brand, also brewed by Farsons in collaboration with Carlsberg International, once again performed successfully in this crowded and highly price-sensitive market segment. Skol continues to play a major role in our beer portfolio and has clearly found favour with pockets of beer consumers who are seeking a high quality lager at excellent value for money.

Carlsberg beer takes centre stage during the UEFA Euro 2016 Finals as the Official Beer of this highly anticipated major football event.

INTERNATIONALISATION

We press ahead with our internationalisation strategy, in line with our ongoing investments in our operations. Following renewed focus on the Italian market and the appointment of well-established importers in the UK, US, China and South Korea, we are at an important crossroad as several promising initiatives begin to take shape.

There is an encouraging response from the trade to our new bottled range of Cisk and Farsons Classic Brews, following intensive networking activity and our participation at international fairs in Europe and Asia. We also launched Cisk Lager on draught in the UK, together with our new distributors.

It's also Cisktime in South Korea; we press ahead with our internationalisation strategy.

Sales grew in mainland Italy, mostly in Lazio and Lombardy, bolstered by a trade oriented media campaign to support our new bottled range of beers, whilst in Sicily we achieved greater focus through a new regional agent. Cisk Pilsner, Farsons Blue Label and Farsons Double Red will shortly be available in key US states and chain stores, while Cisk Export and Cisk Lager are available in a growing number of on-trade outlets in Seoul.

Apart from developing sales of beer in such markets, we simultaneously undertake new product development and market research for beer and non-alcoholic beverages in new emerging markets in Europe, Asia and the Middle East. Australia is another key area of focus as both our franchised Kinnie operation and Cisk Lager sales remain buoyant, offering interesting growth opportunities.

Our export function is being strengthened with additional resources to be able to pursue all these initiatives; our priority is to deepen Farsons' presence in chosen markets while remaining agile enough to respond to internationalisation challenges and new market opportunities.

Farsons' Special Brews featured extensively in several prestigious international publications, including Brewers' Guardian, Birra & Sound and Il Mondo della Birra.

Cisk Lager on draught, launched at Pub 17, the only dedicated show for the UK pub industry held at Olympia, London.

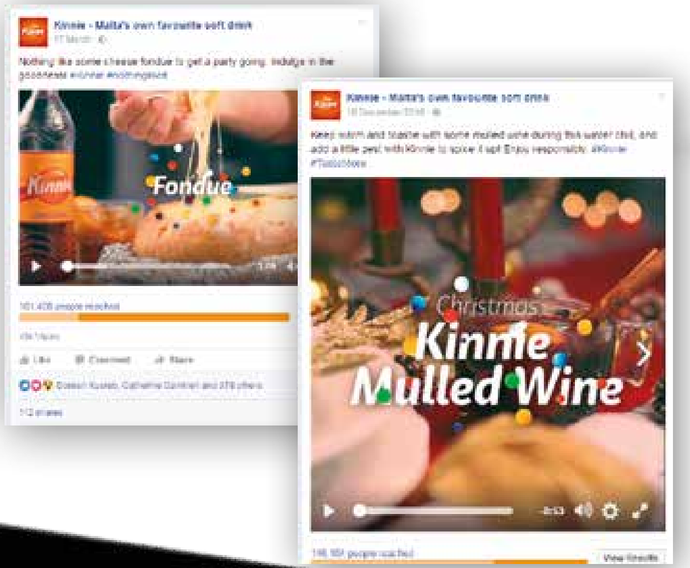
Cisk Lager features as a main sponsor in a music event held in Sicily.


My Choice
Kinnie
Vita
NATURALLY SWEETENED
50% less sugar
and calories
20Kcal/100ml

NON ALCOHOLIC BEVERAGES

The soft drinks market in Malta continues to face a number of challenges which in turn also present opportunities for innovation and well-thought out strategic brand development. With more and more consumers seeking overall health and wellness across all areas of their lifestyle, including food and beverage, the sugar content in soft drinks has come under close scrutiny from consumers and authorities alike. At the same time, there is also continued rejection of artificial ingredients, with savvy consumers seeking good tasting beverages with a range of natural flavours, including traditional citrus flavours and also expanding to include more modern ingredients like kale, cucumber, beetroot and ginger just to name a few. The challenge is to transform everyday ingredients into premium and high value brand propositions which then find favour with consumers and shoppers.

Choose your Kinnie – Whatever their lifestyle and preference, consumers now have a range of options to choose from.



With more and more shopping missions being driven by convenience and value for money, price-based promotions are becoming common-place in the local soft drinks market, with a significant proportion of all volumes backed by some sort of promotion. This is not too different from other markets such as the UK for example, where close to 45% of all soft drinks are sold on deal in retail.

Notwithstanding all of the above, it is reassuring to note the positive results registered in this highly competitive market during the year under review. Backed by a strong and effective calendar of striking advertising campaigns and innovative consumer promotions, Kinnie, our flagship brand, held its position in the market place. With more emphasis being placed on show-casing the choice of variants available within the Kinnie portfolio, the Taste More campaign served to focus on the four variants in the range. Apart from the original Kinnie, consumers now have the option of a zero sugar zero calorie Diet Kinnie, Kinnie Zest also zero sugar and calories but with an added zesty orange flavour, and the most recent variant Kinnie Vita which offers the more health conscious consumer the benefits of 50% less sugar and calories using only natural sweeteners.

The award-nominee campaign "Valletta Tastes Kinnie" makes a splash in social media.

Pepsi celebrates moments of contagious football fan passion with its second year of its UEFA Champions League partnership.

With PepsiCo now officially a sponsor of the UEFA Champions League (UCL) through the Pepsi-Cola and Gatorade brands, this offered a number of opportunities for related promotions which were very well received by Malta's many football fans. In fact the 'on-pack' promotion which was introduced in the first half of the year on Pepsi-Cola and Pepsi Max offered participants the chance to win football related prizes including tickets to attend and experience the Final UCL match at San Siro Stadium in Milan. This promotion allowed us to offer consumers additional value for money when purchasing Pepsi-Cola and served to re-ignite the passion and emotion for the brand which is very popular with the younger consumers.

San Michel in its new compact and easy to carry 330ml PET package.

Consumers continue to become more health-conscious, better informed, demanding convenience at affordable prices and therefore less brand loyal. Therefore, innovation continues to remain high on our agenda. Going forward, we will continue to prioritise the development of products which meet evolving consumer needs and wants, whilst at the same time delivering profitability at all stages from warehouse to our homes or favourite bars.

The journey over the next few years will surely be an interesting one with many challenges but also numerous opportunities as we seek to stay ahead of the curve, aligning our portfolio of beers and soft drinks to the changing dynamics of the market place.

A COMMITMENT TO REDUCE SUGAR CONSUMPTION

In line with our commitment to both environmental and social responsibilities, Farsons, in tandem with the Maltese soft drinks industry, has pledged to contribute to the goal of reducing sugar consumption in Europe by 10% by 2020.

To reach this far-sighted target, we are committing to:

- Reformulate existing products including the use of low calorie sweeteners.
- Innovate to introduce new products with no or reduced sugar and low calorie sweeteners.
- Increase the availability of smaller pack sizes to allow portion control and moderation.
- Invest in the promotion of drinks with reduced or no sugar to educate and actively encourage consumer choice towards low and no calorie products.
- Commit to monitor the progress of added sugar reduction achieved using independent external research and to share this with stakeholders.

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

FARSONS BEVERAGE IMPORTS COMPANY (FBIC)

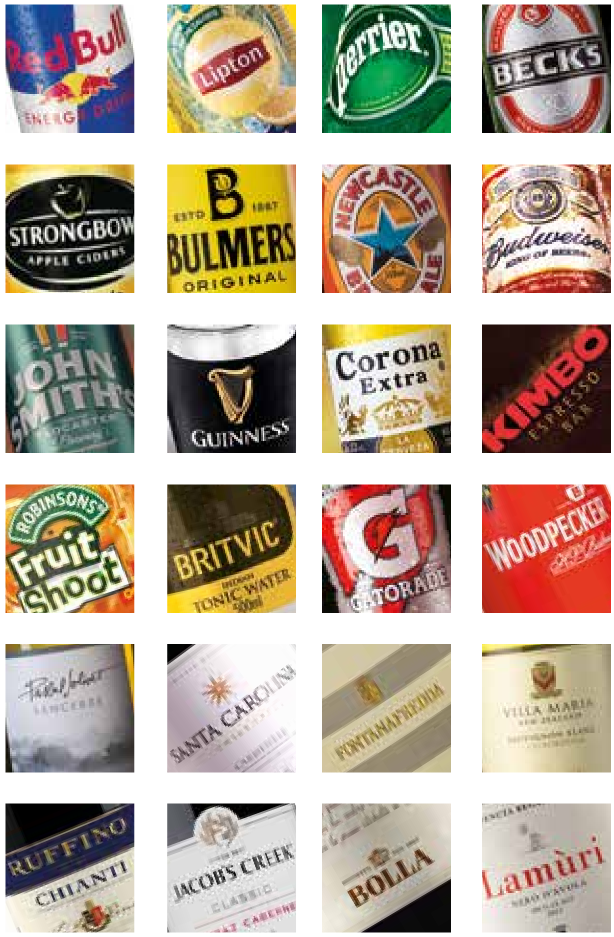
FBIC showed positive results, achieving the budgeted levels of profitability and registering increased sales on most of the key brands even if total sales remained flat. Improvements have been attained both organically as well as through the addition of new brands to our portfolio.

In the spirits sector, following their acquisition of Grand Marnier in March 2016, Gruppo Campari entrusted FBIC with the representation of this brand in Malta. Later in the year, Rémy Cointreau appointed FBIC as official distributor of its Bruichladdich range of whiskies from the Isle of Islay, which include the Classic Laddie, Port Charlotte and Octomore.

The trend for single malts remained strong and we conducted several tasting sessions showcasing expressions from The Glenlivet, The Dalmore, Isle of Jura, Scapa and Aberlour. We also introduced the range of Mackmyra whiskies from a young but very exciting distillery in Sweden.

With Chivas Regal, we launched the pinnacle of the range, The Icon, which is a blend selected from some of Chivas's rarest casks. At Christmas time, we also introduced the latest limited edition Chivas tin tied to the exclusive headphone manufacturers LSTN as well as Chivas 18 in a special presentation package designed by Pininfarina. In the Irish whiskey category, Jameson's continued to consolidate its leading position, building on its cool image and consumer passion for the brand. The premium gin brands in our portfolio have shown considerable growth and the range has been strengthened through the introduction of Sipsmith, King of Soho, Willem Barentsz and Le Gin from Christian Drouin.

Aperol continued to grow very positively, with Aperol Spritz becoming the drink of summer and its distinctive orange adorning many a table at aperitivo hour. Absolut strengthened its position as the leading premium vodka on the market and its striking, limited edition, Facet bottles were highly sought after.




Farsonsdirect gains a wider awareness as a one-stop shop for a wide selection of fine wines, a full range of other beverages and a selection of snack food items.

With Jagermeister, we focused on the 'après-sea' promotional programme, extending activations to other beaches, which led to good sales increases. Havana Club continued to strengthen its market share in the rum sector, with a very good presence in bars and clubs.

With Cointreau, we continued to build on the Cointreau Fizz cocktail campaign which we introduced last year.

Within our portfolio of imported beers, Corona performed well, profiting from a strong programme of marketing and promotional activities whilst Guinness maintained a steady growth, with sales increases throughout the year, fuelled by the St Patrick's Day celebrations. Building on the growing trend for craft and artisan beers, we have strengthened our selection by introducing Leffe, the iconic Belgian beer with a brewing tradition dating back to 1240, the Belgian wheat beer Hoegaarden, the Hobgoblin range of award-winning ales and the Italian craft beers from Baladin, awarded Brewery of the Year 2017 by the Italian association of artisan beers.

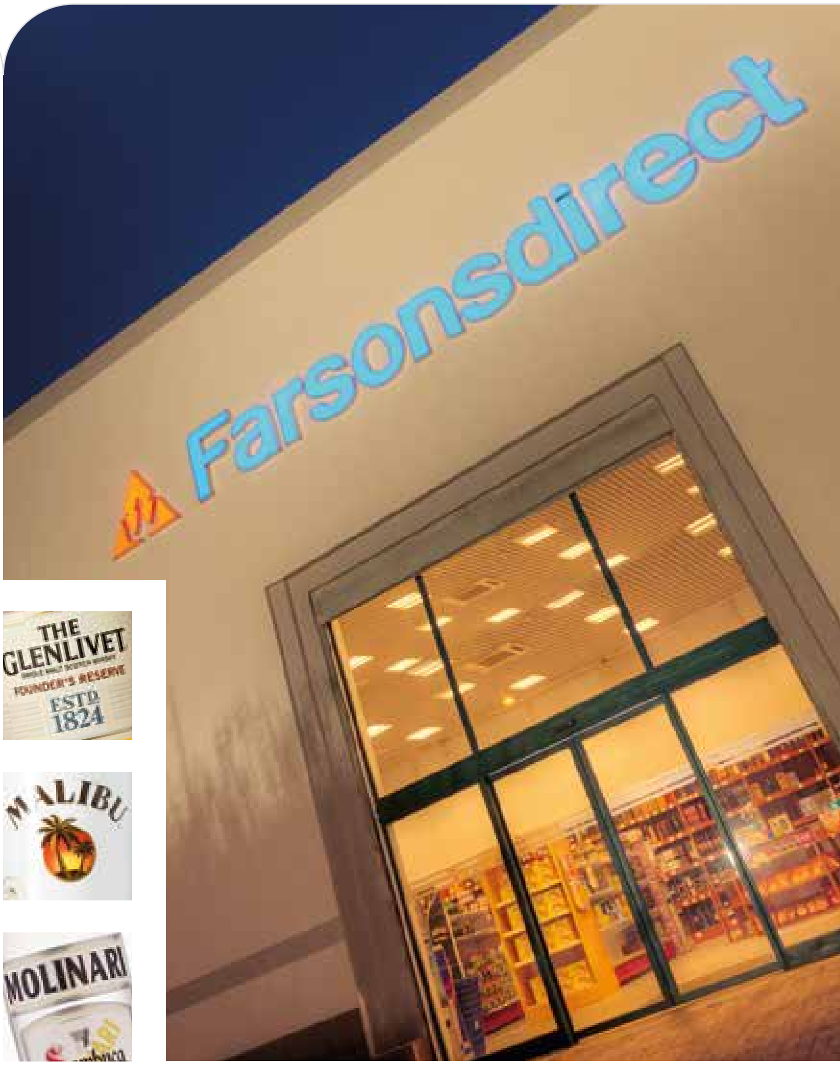
The global brand Budweiser, the flagship brand of global brewing giants AB-Inbev, has been bottled, distributed and marketed in Malta by Farsons for a numbers year. This well known beer adds that international dimension to our comprehensive beer portfolio.

Ciders saw sales increases, particularly driven by the new flavoured variants of Bulmers. Strongbow also benefitted from the introduction of new packaging which has refreshed the brand, strengthening its position as the leading global cider.

Our set strategy on wines led to continued positive results. In restaurants and other specialist outlets, we organised a series of successful wine-tasting events to extend the knowledge and awareness of our brands. We extended our portfolio by taking on representation of Chateau Ksara, the renowned wines from Lebanon.

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

Budweiser, the flagship brand of global giants AB-Inbev.



FARSONSDIRECT

At Farsonsdirect, we kicked off the year with a project to extend our warehousing capacity, allowing for more shelving within the outlet and a better presentation of products. The new shop layout has resulted in an improved shopping experience and has been well-received.

Our increased presence on digital media has led to wider customer awareness and growth in on-line sales through our revamped website. A programme of tutored tastings on wines and spirits was run throughout the year, attracting a wide variety of customers.

Aperol Spritz – the perfect summer drink hits Malta's beaches with its light, sparkling and refreshing taste.

Various entertaining events organised throughout the year helped us connect with our target consumers.

Striking communication material devised for Jagermeister, combining strong branding elements with a fantasy carnival mask for use on outdoor and social media as well as during promotional events.

FARSONS GROUP
Quintano
FOOD IMPORTERS

QUINTANO FOODS

Notwithstanding the increased competition and a more demanding market, the changes made to the senior management of Quintano Foods have contributed towards an encouraging performance for the year, and we have managed to register a sizable growth in turnover as well as a noticeable increase in contribution.

This increase was mainly generated from: improved management of stock items with a very short shelf life; a more efficient distribution system; and lower product costs as a result of the weakening of the British Pound against the Euro.

Several marketing programmes aimed at ensuring greater visibility for the brands we represent were undertaken. This strategy was also complemented by increased servicing of smaller stores, especially those with growth potential.

Further investment was also made in the warehousing and distribution department where we bolstered the management team.

We continued our programme of modernising our distribution fleet, with a number of new environment friendly vehicles which better maintain the chill chain of the products being transported.

Our focus has now turned towards business development, where we have launched several new brands and range extensions. Following the launch of Star in January 2016, which is now growing at a steady rate, we were also entrusted with the distributorship of Bounce Energy Bars, Vai Vai coconut drinks, Danesita confectionary products and Nature Addicts snacks.

The snacking segment which includes brands like Walkers, Doritos, Snack A Jack, Popz and Acti-Snack, continued to deliver growth in both turnover and contribution. This was mainly driven by increased marketing initiatives and distribution efforts.

In the dairy and yogurt segment, we reinforced our leadership with our flagship brand Danone, which despite a number of new entrants in this already over-populated segment of the market, has continued to deliver increased volumes, following a decision to re-engineer the price positioning of the range.

Increased marketing initiatives have proved to be instrumental in delivering brand awareness and encouraging product trial.

FARSONS GROUP
Food Chain
RESTAURANTS

FOOD CHAIN

Food Chain has registered another positive year, with increases in sales, guest count and profitability across its three brands – Burger King, Pizza Hut and KFC – over the previous year.

Earlier in the year we opened a new Burger King restaurant and our first Drive-Thru KFC restaurant within the PAMA Shopping Village in Mosta to bring our store count to fourteen.

KFC – Mosta

KFC

KFC

The new Drive-Thru within the PAMA Shopping Village is our flagship KFC store. This outlet, which has a much higher than average sales performance, has boosted overall sales for the brand. The design of this store is in line with KFC's new contemporary look, with a modern yet warm dining environment where guests enjoy ample indoor and outdoor seating as well as an outdoor play area.

We have remodelled our Gzira outlet, which has been extensively refurbished bringing it in line with the new international KFC design. We have also launched a number of limited time offers and box meals, which have now become a regular item on our menu. As a result of this strategy, we have seen a quantum leap in the performance of the brand.

This year also saw the launch of KFC's Harvest program in Malta. This program offers a fantastic alternative to discarding surplus food by donating it to charitable organisations. For this cause, we have partnered up with St Patrick's Salesians in Sliema.

PIZZA HUT

Pizza Hut continued to register same-store-sales growth, in particular within the delivery segment of the business where we continued to invest in expanding the size of our delivery fleet to further improve our service levels and reduce waiting times.

The launch of our new web portal (www.pizzahut.com.mt) allows our customers to place delivery orders on-line and reserve tables in Pizza Hut's dine-in restaurants whilst also enabling customers to be updated with various promotional activities.

Pizza Hut continues to focus on inspiring social connections and making every moment together count. We continued our remodelling program of all our restaurants, and have now completed the refurbishment of both the Sliema and Valletta outlets. The latter has been given a warm and comfortable uplift and now offers a variety of seating styles to allow guests to enjoy a different dining experience everytime they visit.

Pizza Hut - Valletta

Burger King – Mosta

BURGER KING

The Burger King outlet in Mosta has proved to be another success story, with sales exceeding expectations. With the opening of this store, our store count has now increased to six, increasing our presence on the market.

Over the past three years, following the opening of the Qormi Drive-Thru and the Mosta outlet, we have seen an exponential increase in both sales and market share, which has had a positive ripple effect on all our other stores where we have seen a significant increase in store sales and guest count.

During the year we have also launched a number of innovative products on a limited time offer and embarked on various promotional campaigns to further strengthen our market presence.

BURGER KING YOUR WAY℠

FARSONS GROUP

EcoPure

BEVERAGE SERVICES

EcoPure's performance registered a continued increase in its sales and its customer base. Nevertheless, contribution levels remained under pressure.

EcoPure continued investing in brand building campaigns on various media channels. Campaigns were intentionally timed during the peak pre summer season with the objective of attracting new customers and maximising sales. Promotional offers on door to door mailers contributed in attracting several new household client accounts.

Water vendor routes were continuously reviewed throughout the year to maximise bottle sales per drop, in order to achieve a better utilisation of resources. As a result, sales and distribution costs per bottle have decreased, thus improving productivity significantly.

It is envisaged that in the coming year, competition and competitor marketing campaigns will intensify. Undoubtedly this will result in pressures on contribution. Therefore the company will continue focusing on containing costs and remains committed to finding ways to optimise distribution whilst maintaining high levels of service.

"WATER COOLER RENTAL AND PURCHASE WITH NATIONWIDE WATER DELIVERY – THE TOTAL WATER SOLUTION FOR ALL WORKPLACE AND HOUSEHOLD HYDRATION NEEDS."

THE BREWHOUSE

THE OLD BREWHOUSE PROJECT

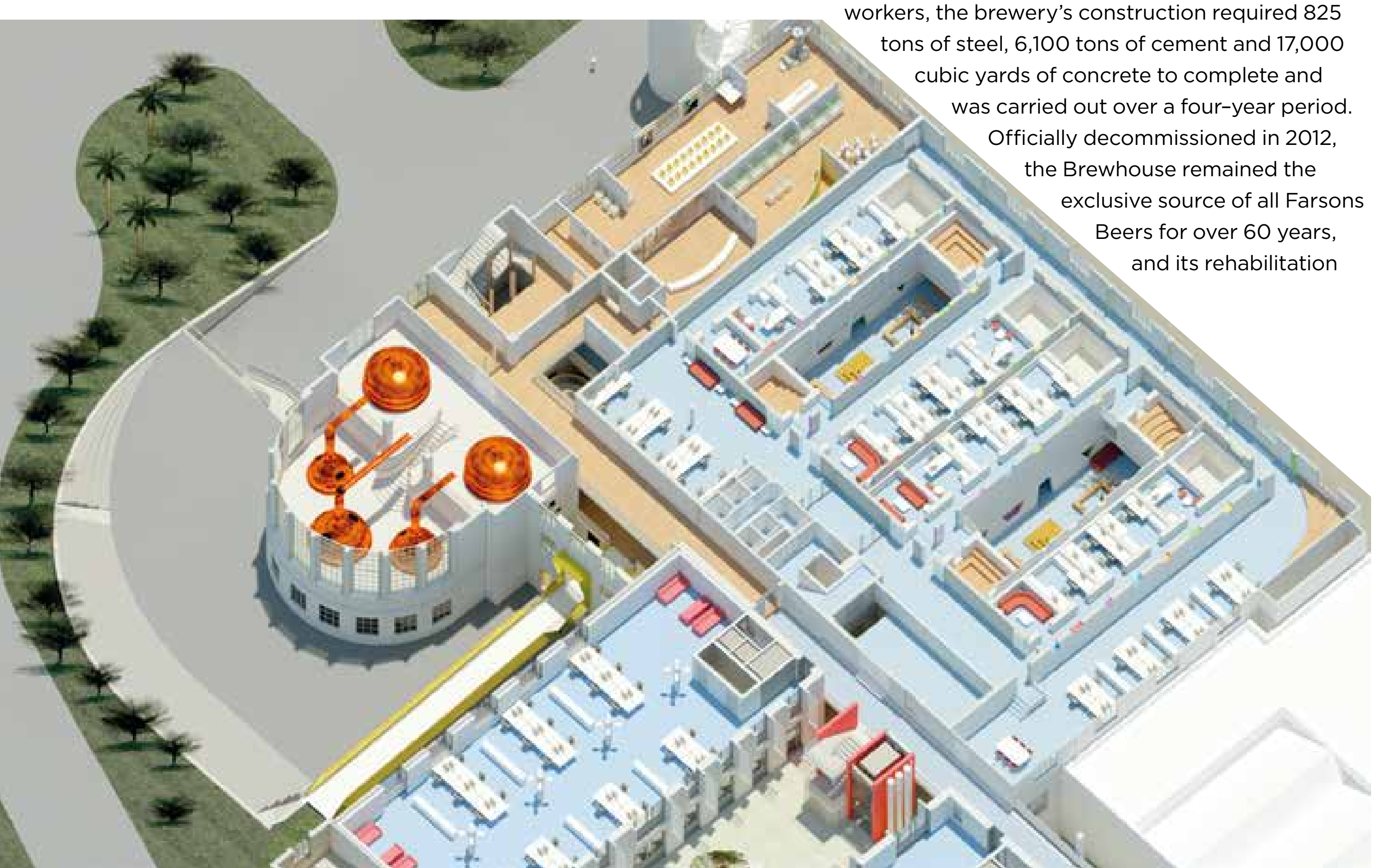
FOLLOWING THE COMPANY'S DEVELOPMENT APPLICATION FILED IN MAY 2015, THE BOARD OF THE PLANNING AUTHORITY UNANIMOUSLY APPROVED THE PERMIT FOR THE REHABILITATION OF FARSONS' OLD BREWHOUSE IN MRIEHEL, IN JANUARY 2017. THE COMPREHENSIVE REHABILITATION PROJECT COVERS THE RESTORATION AND CONVERSION OF APPROXIMATELY 7,000 SQUARE METRES OF INDUSTRIAL SPACE, WHICH WILL INCLUDE A VISITOR CENTRE ATTRACTION WITH SUPPORTING FOOD AND OTHER RETAIL OUTLETS, FLEXIBLE WORKSPACE AND AMENITIES.

The project is envisaged to commence in 2017 and is expected to be completed within two years, with an investment of approximately €10 million. The lead designer firm of the project is Ian Ritchie Architects Limited of London, assisted by TBA Periti as the local architects and structural engineers and supported by a multi-disciplinary team of local and foreign specialists.

Artist's impression – renovated East façade of the Old Brewhouse

Great care will be taken to sensitively restore and convert the Grade 2 listed and iconic Art Deco building, which was one of the first and finest large scale developments undertaken in post-war Malta, marking an important turning point in the industrialisation of the island. Designed by Lewis V. Farrugia in collaboration with Scottish architect William Binnie, whose notable works include the Phoenicia Hotel in Floriana and the Arsenal FC's East Stand in Highbury, the Old Brewhouse was one of the first local examples of a reinforced concrete building, and was inaugurated in June, 1950.

Built on a grand scale and engaging no less than 1,500 workers, the brewery's construction required 825 tons of steel, 6,100 tons of cement and 17,000 cubic yards of concrete to complete and was carried out over a four-year period. Officially decommissioned in 2012, the Brewhouse remained the exclusive source of all Farsons Beers for over 60 years, and its rehabilitation



The completion of the old brewhouse project will have a minimal exterior impact, thus retaining its original architectural features and characteristics.

offers the brewery the opportunity to showcase its brewing heritage and brands as the company pursues its vision to build its brands overseas and become a regional player within the food and beverage sector.

Farsons is well placed to offer a unique experience that captures the art of brewing and the industrial processes that continue to sustain the art. By re-opening its doors to the public, Farsons will be able to engage with its consumer and client base in new and innovative ways, while celebrating the people and iconic brands that have helped shape the brewery. Brewing is, after all, one of the oldest industries known to man, one that continues to play a major role in people's lives. Ultimately, the experience will serve not only to highlight the legacy of the Farsons story but also to create a deeper appreciation for one of the world's most enjoyed beverages.

Artist's impression – office interior

Artist's impression of the Old Brewhouse – cross section

Cisktime reaches new heights at Malta's nightlife hotspot

drinkawaremalta.com
for the facts

As a major producer and distributor of alcoholic beverages, Farsons has always been keenly aware of its responsibility to promote responsible consumption. Farsons was one of the founder members of The Sense Group, which actively promotes moderate drinking, and disseminates information to both consumers and the trade as part of its 'Drink Aware' campaigns. Moreover, advertising campaigns for all of Farsons' products carry moderate drinking 'drink aware' messages.

MOVING TOWARDS MORE FOCUSED GROWTH

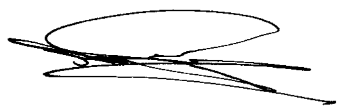
Moving forward, while continuing to seek growth opportunities for the group in our domestic market, we will maintain a strong focus on innovating and internationalising our business even further. This twin approach will continue to form the basis of our growth strategy. After all, this is the direction we must follow to realise our aspirations and realise our vision of becoming a regional brewery.

Finally, I need to express my gratitude to all who have played a role in all that we have achieved so far, and continue to achieve.

Let me start with our board of directors, in particular our Chairman, Louis A. Farrugia, for the important guiding and steering role played throughout the year. To all the management team, for their close collaboration and unwavering determination to overcome challenges and ride on opportunities. And, of course, my gratitude also goes to all our employees across the group for all their hard work and support. This year, however, I would also like to single out two persons in particular. Here, I am obliged to start by giving full recognition to the outstanding organisational and technical skills of our project team responsible for the construction and commissioning of the Beer Packaging Facility. This team was led in a most outstanding and exemplary manner by our Chief Operating Officer, Ray Sciberras. Likewise, I am also obliged to recognise the collaborative enthusiasm of our workforce which, after all, forms an integral part in the successful outcome of all our investments.

I also wish to express my gratitude for the unwavering support I have always received from Charles Xuereb, our outgoing Chief Financial Officer, who shortly takes up a new role as Chief Executive Officer of Trident Estates Limited. He has been an important reference point throughout my seven years as Group Chief Executive, and while I wish him well in his new role, I take this opportunity to welcome our incoming Chief Financial Officer, Anne Marie Tabone. I am confident that she will continue to build on the good foundations in place and look forward to working closely with her. Here, I also need to thank both of them for the smooth and well-coordinated manner in which they are currently handling the transition towards their respective new posts.

All this augurs well, and, as we continue to pursue our ambitions of growth, I remain cautiously optimistic on the Farsons Group's future prospects, even if much more remains to be done.



Norman Aquilina *Group Chief Executive*
4 May 2017

"MOVING FORWARD, WHILE CONTINUING TO SEEK GROWTH OPPORTUNITIES FOR THE GROUP IN OUR DOMESTIC MARKET, WE WILL MAINTAIN A STRONG FOCUS ON INNOVATING AND INTERNATIONALISING OUR BUSINESS EVEN FURTHER."

TRIDENT
ESTATES

WHILE PENNING MY FIRST REPORT AS CHIEF EXECUTIVE OFFICER DESIGNATE OF THE PROPERTY GROUP, IT IS FITTING FOR ME TO ACKNOWLEDGE AT THE OUTSET OF THIS REVIEW THE VISIONARY ASPIRATIONS OF THE FARSONS BOARD, LED BY THE CHAIRMAN LOUIS FARRUGIA, WHOSE BUSINESS CREDENTIALS AND ETHOS LED TO A UNIQUE MALTESE MODEL. THE SCALE OF THE CHALLENGES, AND THE BREADTH OF THE OPPORTUNITIES THAT LIE AHEAD ARE INDEED SIGNIFICANT.

When the Board first announced the intention to spin-off the property segment from the core fast moving consumer goods (FMCG) business of Farsons, this consideration was taken with a view to deliver as much shareholder value as possible without disrupting the core business or leveraging the group unnecessarily. The aim was, and still is, to maximise the value of the property interests for the benefit of all shareholders following a period of key intensive investments in the core beverage business that has transformed the group in line with market and strategic exigencies.

As part of a restructuring process, Trident Developments Limited has been renamed Trident Estates Limited and will be changing its status to a public limited liability company (p.l.c.) once listed. The property portfolio to make up Trident Estates Limited upon the complete implementation of the corporate structure is envisaged to be in place within the third quarter of this year.

Artist's impression – Trident Business Park Car park walkway

Mr Charles Xuereb, Chief Executive Officer Designate – Trident Estates

Artist's impression – Trident Business Park Garden B

Artist's impression – Trident Business Park Offices

Artist's impression – Trident Business Park Conference Room

PROPOSED SPIN-OFF

Shareholders of Simonds Farsons Cisk p.l.c. are being presented with a resolution to approve the spin-off at the forthcoming Annual General Meeting in June. If approved, this will be effected by way of a distribution of the shares held by SFC in Trident Estates Ltd as a dividend to the Shareholders on a pro-rata basis to the shares held in the company. Trident Estates Ltd intends to file an application with the Listing Authority for admission to listing of its shares on the Malta Stock Exchange, expected to take effect during the last quarter of this year. Accordingly, immediately upon listing, shareholders in SFC will receive the equivalent proportion of shares in the spun-off property entity.

PROPERTY PORTFOLIO

The vision is for the Trident Group to leverage its extensive property portfolio and gradually establish itself as a leading developer and provider of commercial space. The new property group shall encompass a portfolio that offers a

Artist's impression – Trident Business Park Garden A

TRIDENT PARK

diversified mix of redevelopment opportunities that are expected to yield long-term capital growth, together with mature properties that are expected to provide an immediate, and ongoing, rental income stream. This mix will provide the appropriate platform for implementing the property strategy. In the initial years, most of the Trident Group's revenue is expected to continue to be generated from properties rented out to the Farsons Group. The dependence on the Farsons Group is expected to diminish gradually as new sources of revenue are generated through new development projects.

TRIDENT PARK

The continued investment in new production facilities and the resultant relocation of operational facilities to the south of the brewery have now practically freed up all the frontage along Mdina Road. This site shall now be redeveloped into an office business complex with an accompanying car park and other amenities.

The Trident Park Project has been identified as the Trident Group's initial development project, with works expected to commence shortly after the spin-off is implemented. The group has submitted its planning application for the development of this site and the related development permits are expected to be issued later this year.

We are envisaging an exemplary transformation of a magnificent listed industrial building that will provide outstanding contemporary work spaces. The project is expected to involve the development of over 15,000 sqm of premium functional office space located within a site offering gardens and landscaped areas.

The tendering process related to the civil works contracts for this project is currently underway and is expected to be completed by July 2017.

The development is expected to be funded through an appropriate mix of debt and equity financing. The debt financing is expected to take the form of bank loans and, in this respect, the Trident Group has submitted applications for finance and obtained draft term sheets from a number of local commercial banks.

TRIDENT HOUSE

Trident House in Marsa is another property that the Board believes offers significant development potential. The Farsons Group's food importation arm and the head office of the franchised foods business currently occupies approximately half of the footprint of this site, with the remaining part of the footprint currently vacant. Although a detailed study on the potential development of this site has yet to be undertaken, it is evident that redeveloping this site would significantly enhance the value that could be extracted from this asset.

Different experts give divergent views of the property market in the years ahead. The truth is that no-one can accurately predict the future of the market.

The market changes and evolves at times in a strange way and even what happens outside our shores will have an impact on the local market.

Nevertheless we are confident that our developments will be a success that will lead to eventually posting a good set of results. We are fortunate in having the funding practically in place and thank our shareholders for their continued support.

Simonds Farsons Cisk plc

Annual Report **2016/17**

Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2017

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2017.

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 2017.

The group posted a record profit of €12 million for the financial year ending 31 January 2017, registering an increase of €0.9 million or 8% over the previous financial year. Pre-tax profit from continuing operations amounted to €11 million, representing 13% of turnover and an improvement of 13% over the same period last year.

Group turnover also reached record levels at €88 million, a growth of 2% on the previous year. Operational overheads remained largely flat and the resulting operating profit amounted to €13 million, equivalent to 15% of turnover.

The strong performance for the financial year also impacted positively the earnings before interest, tax, depreciation and amortisation (EBITDA) that amounted to €21 million, an increase of €2.5 million over last year. The group's borrowings increased by €9 million, mainly as a result of the significant investment in the new Beer Packaging Facility. The gearing ratio as at year-end stood at 22% compared to 18% in 2016, while total equity increased to €123 million from €109 million, as a result of retained profits and certain property revaluations.

INFLUENCING FACTORS AND SEGMENTAL PERFORMANCE

Several factors have characterised the performance of the group for the year under review. From a macro economic and general point of view, the overall positive economic performance and record tourist arrivals along with favourable weather conditions have been important contributing factors.

The strong performance was registered across the group on varying levels. Throughout the year, management has continued to drive forward and implement diverse measures aimed at further improving productivity and overall efficiency along with higher quality standards.

On the production side, the beer segment continued to register positive results notwithstanding the increased depreciation following the commissioning of the new Beer Packaging Facility. On the other hand, the continued spotlight on obesity and sugar consumption, coupled with the introduction of an Excise Duty, dampened the consumption of soft drinks. The intensive competition on water has impacted volumes in this category.

The beverage importation arm has also registered a positive performance across much of its diverse product categories, partly as a result of various marketing and sales activities targeting different market segments, as well as the launch of new products.

Notwithstanding the increased competition and a more challenging market, the food importation arm posted an encouraging performance for the year under review and has registered a growth in turnover and contribution.

The franchised food business has registered a significantly positive year, with increases in sales, guest count and profitability over the previous year across its three brands namely, Burger King, Pizza Hut and KFC. The full year performance of the new Burger King restaurant together with the first KFC drive-thru restaurant in Mosta were instrumental in attaining this positive performance.

INVESTMENTS

The principal highlight of the year was, undoubtedly, the commissioning of the new Beer Packaging Facility. The facility was inaugurated on 7 September 2016 and was completed on schedule and within budget. The company is now geared to pursue its growth ambitions and is clearly better equipped to market its brands in new and innovative packaging, thereby able to compete in new and untapped export markets.

With the group's major investments now accomplished, further works on extending warehousing facilities are currently underway with new loading/unloading bays planned to be installed by July 2017.

During the last quarter of 2017, the present kegging facilities will be replaced with a new and modern plant in order to improve the overall efficiency of our kegging operations. Moreover, a new office complex is currently being completed, allowing for a more contemporary and effective working environment in line with established international standards for such premises.

PROPERTY INTERESTS AND TRIDENT ESTATES

Spin-off

At the forthcoming Annual General Meeting to be held on 27 June 2017, a resolution to approve the spin-off of the company's shareholding in Trident Estates Limited shall be put forward for consideration and approval. The said spin-off is to be effected through the payment of a dividend in kind by way of a distribution of the company's shareholding in Trident to the shareholders. During the AGM, shareholders' approval shall be sought to authorise the board of directors to take all necessary measures to implement the said spin-off. If such approval is forthcoming, Trident Estates Limited intends to file an application with the Listing Authority for admission to listing of its shares on the Malta Stock Exchange (MSE). A circular explaining the details of the proposed spin-off shall be distributed to all shareholders. The financial implications of the spin-off, including the effect on the group's operating results and the effect on the company's financial position shall also be explained in detail within this document.

Trident Park

Development plans for Trident Park have been submitted to the Planning Authority and a decision is being expected in the near future. The relevant planning permission for the rehabilitation and development of the old brewhouse was received in January 2017.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2018

New and ongoing market trends, such as more consumption at home, continue to persist and this, in turn, presents the group with several challenges but also new market opportunities, with the growing popularity of speciality beers being a clear example in which Farsons is well positioned to respond.

In line with the ongoing investments within its operations, the company shall continue to implement its internationalisation strategy. Within this vision, the company is renewing its prime focus on the Italian market, while also appointing well-established importers and distributors in other targeted international markets.

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

In line with its commitment to both environmental and social responsibilities, the group has pledged to firmly contribute to the objective of reducing sugar consumption by 10% by 2020 through:
- the reformulation of existing products,
- innovation and introduction of new products,
- increasing the availability of smaller pack sizes,
- investment in the promotion of drinks with reduced or no sugar.

The company faces a year with minimal organic growth with challenging trends in consumption. Hence the continued focus on innovation, with the first full year of speciality beers, remains imperative for the company's success. Furthermore, with a leading position in a market with limited local growth potential, the company remains determined to focus on its export strategy, that can now be executed following the commissioning of the new Beer Packaging Facility.

The beverage importation arm continues to face a highly competitive environment with intensive pricing policies being encountered. The company is confident that the results shall remain steady as management continues to focus in growing its portfolio of brands.

In the case of the food importation business, management continues to focus on business development, in particular by launching new brands and range extensions.

The Food Chain business will face increased lease costs on a number of its outlets. This, coupled with the opening of new competing brands on the local market is expected to continue to put pressure on its results. Management still feels confident that despite this, there will not be a deterioration in its performance.

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, both locally and overseas.

FINANCIAL RISK MANAGEMENT

The group's and company's activities expose it to a variety of financial risks, including market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Refer to note 2 in these financial statements.

DIVIDENDS AND RESERVES

The income statements are set out on page 61.

The Board declared a net interim dividend of €1,000,000, which was paid to the ordinary shareholders on 19 October 2016, and will recommend the payment of a final dividend of €2,400,000 at the Annual General Meeting scheduled for 27 June 2017.

The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 28 June 2017 (also out of tax exempt profits) to those shareholders included on the Register of Members of the company as at 28 May 2017. As a result, total declared dividends relating to the financial year ended 31 January 2017 shall amount to €3,400,000 (2016: €3,200,000).

Retained profits carried forward at the reporting date amounted to €55,830,000 (2016: €47,273,000) for the group and €50,580,000 (2016: €43,609,000) for the company.

DIRECTORS

The directors who held office during the year were:
Mr Louis A. Farrugia F.C.A. – Chairman
Mr Marcantonio Stagno d'Alcontres – Vice-Chairman
Baroness Christiane Ramsay Pergola
Marquis Marcus John Scicluna Marshall
Dr Max Ganado LL.D.
Mr Roderick Chalmers M.A. Div. (Edin.) F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms Marina Hogg
Mr Michael Farrugia M.A. (Edin.)

Mr Roderick Chalmers, Mr Michael Farrugia 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 2017 are included in the Annual Report 2017, 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 2017, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the group and the parent company, together with a description of the principal risks and uncertainties that the group and the parent company face.

GOING CONCERN BASIS

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

SHAREHOLDER REGISTER INFORMATION PURSUANT TO LISTING RULE 5.64

Share capital information of the company is disclosed in note 11 of the financial statements on page 85.

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

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

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

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

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

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

It is hereby declared that, as at 31 January 2017, the company is not party to any significant agreement pursuant to Listing Rules 5.64.10.

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

AUDITORS

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

By order of the board

Louis Farrugia

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

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

Antoinette Caruana *Company Secretary*
4 May 2017

CORPORATE GOVERNANCE STATEMENT

A. Introduction

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

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

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

B. Compliance with the Code

PRINCIPLE 1: THE BOARD

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

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

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

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

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE

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

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

The role of the Group Executive Board (GEB) is to ensure effective overall management and control of group business and proper co–ordination of the diverse activities undertaken by the various business units and subsidiaries which make up the group.
The 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, are appointed by the company and predominantly, 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

Each member of the board offers core skills and experience that are relevant to the successful operation of the company. Whilst relevance of skills is key, a balance between skills represented is sought through the work of the Nominations Committee to ensure that there is an appropriate mix of members with diverse backgrounds. This contributes to different viewpoints on key issues in line with the diversity policy implemented throughout the company and recognised through the award of the Equality Mark by the National Commission for the Promotion of Equality. Diversity is recognised as being more than a question of age, gender or educational and professional backgrounds.

The board is composed of a Chairman who also acts as Chairman of the GEB, one executive director, a non-executive Vice-Chairman and five other non-executive directors.

Executive Directors

Mr Louis A. Farrugia F.C.A. – Chairman
Mr Michael Farrugia M.A. (Edin.)

Non-Executive Directors

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

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

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

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

All directors, other than the Chairman 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:	13
Members attended:	
Mr Louis A. Farrugia (Chairman)	13
Mr Marcantonio Stagno d'Alcontres	12
Marquis Marcus John Scicluna Marshall	12
Dr Max Ganado	8
Mr Roderick Chalmers	12
Ms. Marina Hogg	12
Mr Michael Farrugia	12
Baroness Christiane Ramsay Pergola	9*

** of which 8 meetings were attended by an alternate director*

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

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

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

In fulfilling its responsibilities, the board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. The strategy, processes and policies adopted for implementation are regularly reviewed by the board using key performance indicators. To assist it in fulfilling its obligations, the board has delegated responsibility to the Chairman of the 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 protect the interests of the company's shareholders and assist the directors in conducting their role effectively so that the company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Audit Committee is composed of the following non-executive directors:

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

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

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

During the year ended 31 January 2017, the Audit Committee held four meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the group internal auditor but also to consider the external auditors' audit plan, the six–monthly financial results and the annual financial statements.

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

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

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

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

New Ventures/Acquisitions/Mergers Committee, presided over by 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

The role of the Board Performance Evaluation Committee chaired by a non-executive director, is to deal with the board's performance evaluation and identify ways how to improve the board's effectiveness.

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

PRINCIPLE 8: COMMITTEES

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

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

Every shareholder owning twelve and a half percent (12.5%) ordinary issued share capital or more, is entitled to appoint and replace a director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 97), 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 2017 and as at 4 May 2017 are disclosed in the Shareholder Information.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

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

- Encouraging moderate drinking and responsible alcohol consumption;
- Commitment to reduce added sugars in its products by 10% by 2020;
- Corporate Social Responsibility (CSR) Day initiative – Together with other sponsoring companies employees volunteer to carry out turnkey projects involving one day's work during a public holiday;
- Sponsorships of major charitable events on a national level;
- Promoting the industrial heritage of the Maltese Islands;
- Co-operating with the University of Malta particularly in the areas of engineering, the built environment and history;
- Participation in recognised national student-exchange programmes for the benefit of local and foreign students;
- Assisting with environmental projects;
- Waste and energy conservation initiatives and policies;
- Liaising with NGOs and the provision of employment opportunity for groups of people with a disability on a yearly basis;
- Assisting employees encountering medical problems with obtaining overseas medical treatment;
- Supporting employees with a home loan interest subsidy scheme;
- Employee Assistance Programmes for employees needing support, rehabilitation, counselling and advice;
- The Farsons Foundation promotes and supports local initiatives and considers requests from a social, cultural and historical perspective at no commercial gain for the company. The Foundation is entirely funded by subventions authorised by the SFC board. The aims of the Foundation are to:
  - promote and assist the development and public manifestation of Maltese culture especially in the fields of art, music, literature and drama;
  - contribute research projects and assist in the publication of studies undertaken by any duly qualified person or persons, regarding Maltese disciplines relating to art, music and drama;
  - provide assistance to talented Maltese to enable them to obtain higher professional standard than those that can be obtained locally in disciplines relating to art, music and drama;
  - contribute by means of financial assistance towards the work of any private, voluntary and non-profit organisation or religious body engaged principally in fostering social solidarity.

C. Non-compliance with the Code

PRINCIPLE 4 (CODE PROVISION 4.2.7):

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

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

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

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

D. Internal control and risk management Internal Control

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

Organisation:

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

Control Environment:

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

Risk Identification:

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

Reporting:

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

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

E. General meetings

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

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

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

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

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

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

Approved by the board of directors on 4 May 2017 and signed on its behalf by:

Louis Farrugia

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

REMUNERATION REPORT

1. Terms of Reference and Membership

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

2. Meetings

The Remuneration Committee met twice during the financial year ended 31 January 2017.

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

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

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

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

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

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

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

3.3 TOTAL EMOLUMENTS

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

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

Directors' fees	€247,000
Directors' other emoluments	€264,000
Directors' salary	€57,900

Variable and Non Variable Emoluments of Directors and Senior Management				
	Fixed Remuneration	**Variable Remuneration**	**Share Options**	**Others**
Senior Management	**€492,000**	**€179,000**	**None**	**Non-cash benefits referred to above under 3.1**
Directors	**€504,000**	**€66,000**	**None**	**Non-cash benefits referred to above under 3.2**

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIMONDS FARSONS CISK P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- Simonds Farsons Cisk p.l.c.'s Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the group's and the parent company's financial position as at 31 January 2017, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Simonds Farsons Cisk p.l.c.'s financial statements, set out on pages 59 to 96, comprise:

- the Consolidated and parent company statements of financial position as at 31 January 2017;
- the Consolidated and parent company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and parent company statements of changes in equity for the year then ended;
- the Consolidated and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

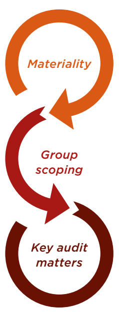
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall group materiality: €569,000, which represents 5% of profit before tax.

- The group is composed of 11 reporting units all located in Malta.
- The group engagement team carried out the audit of the financial statements of the parent company as well as the audit of the financial statements of all the subsidiaries of the company.

- Valuation of Property, plant and equipment and assets held for sale relating to the group.
- Recognition of deferred tax asset arising from Investment tax credits relating to the group.

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

Materiality

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

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

Overall group materiality	€569,000
How we determined it	5% of profit before tax from continuing operations
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, profit before tax is the metric against which the performance of the group is most commonly measured.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €28,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of Property, plant and equipment and assets held for sale relating to the group *Refer to Notes 5 and 21* The group's property portfolio is split between group operated property (included within property, plant and equipment) and investment property (currently classified as held for sale). The valuation of the group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and, where applicable, the expected future rentals for that particular property. For investment property being developed, factors taken into account include projected costs to completion, timing thereof and expected rental income. The valuers used by the group have considerable experience in the local market, which is where the entire group's property is situated.	We obtained, understood and evaluated the valuation models used. We agreed the property information utilised in the valuation to the underlying property records held by the company. The audit team, including our valuation specialists assessed the reasonableness of the unobservable inputs used in determining the valuations and the appropriateness of the resulting fair values. We compared the significant input used within the sales comparison approach, i.e. the sales price per square metre, to benchmarks for comparable properties located in proximity.

Key audit matter	How our audit addressed the Key audit matter
As disclosed in note 5, the external valuations have been performed using a variety of methods, including the adjusted sales comparison approach, the discounted projected cash flows approach and the capitalised rentals approach. Each property was valued using the method considered by the external valuers to be the most appropriate valuation method for that type of property. The board of directors considered the valuation report as part of its overall responsibilities. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.	Where the capitalised rentals approach or the discounted projected cash flows approach was used, we assessed the adequacy of the rental rate per square metre. We have also assessed the capitalisation rate by comparing the investment yields used by the valuers by reference to available benchmarks. The value of properties used as business, manufacturing and operational premises by the group is based on a value-in-use assessment using capitalisation of cash flows. We assessed the present value of the expected maintainable free cash flows generated from these facilities and the appropriateness of the discount rate applied. For property under development for commercial purposes we performed testing over source documentation provided by the group to the external valuers. We assessed the reasonableness of the costs to complete information in respect of properties in the course of development and approved budgets. Moreover, we assessed the unobservable inputs relating to annualised net cash inflows per square metre, the capitalisation rate and the reasonableness of the projected occupancy rates. We held meetings with management, the audit committee and directors on the year-end valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.
Recognition of deferred tax asset arising from Investment tax credits relating to the group *Refer to Note 18*	
The group has recorded a deferred tax asset attributable to unutilised investment tax credits to the extent that it is probable that future taxable profits arising from the operations of the manufacturing arm of the group will be available to allow the deferred tax asset to be recovered. We focused on this area because of the level of judgement that is applied in quantifying the appropriate tax credits to be utilised and therefore determining assumptions about future profit streams and investment decisions.	We audited the balance of unutilised investment tax credits carried forward. We evaluated and challenged the group's budgets, business plans, future investment strategy and assumptions used to determine an estimate of that portion of unutilised tax credits to be used in the foreseeable future and therefore recognised as a deferred tax asset. We were provided with explanations that suggest that there are no indications that the amounts recognised are not recoverable.

How we tailored our group audit scope

The group is composed of 11 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

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

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, the Group Chief Executive's Review, the Directors' Report, the Remuneration report and the Five Year Record (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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

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

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

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the statement of compliance with the Principles of Good Corporate Governance

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

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

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

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

In our opinion, the Statement of Compliance set out on pages 45 to 51 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PricewaterhouseCoopers
78 Mill Street,
Qormi, Malta

Simon Flynn *Partner*
4 May 2017

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2017	2016	2017	2016
	Notes	€'000	€'000	€'000	€'000
Non-current assets					
Property, plant and equipment	5	**110,889**	89,983	**100,585**	74,577
Intangible assets	6	**616**	658	**–**	–
Investments in subsidiaries	7	**–**	–	**14,352**	13,706
Deferred tax assets	18	**3,486**	4,210	**4,692**	5,153
Trade and other receivables	9	**3,002**	2,757	**3,002**	2,757
Total non-current assets		**117,993**	97,608	**122,631**	96,193
Current assets					
Inventories	8	**14,569**	12,334	**9,281**	6,838
Trade and other receivables	9	**18,316**	18,495	**16,986**	16,676
Current tax assets		**29**	133	**–**	–
Cash and cash equivalents	10	**768**	2,445	**407**	692
Total current assets		**33,682**	33,407	**26,674**	24,206
Non-current assets classified as held for sale	21	**31,266**	31,558	**9,057**	19,478
		64,948	64,965	**35,731**	43,684
Total assets		**182,941**	162,573	**158,362**	139,877

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2017	2016	**2017**	2016
	Notes	**€'000**	€'000	**€'000**	€'000
Capital and reserves attributable to owners of the company					
Share capital	11	**9,000**	9,000	**9,000**	9,000
Revaluation and other reserves	13, 14	**59,146**	54,105	**46,137**	44,961
Hedging reserve	15	**(705)**	(919)	**(705)**	(919)
Retained earnings		**55,830**	47,273	**50,580**	43,609
Total equity		**123,271**	109,459	**105,012**	96,651
Non-current liabilities					
Trade and other payables	20	**905**	1,184	**905**	1,184
Derivative financial instruments	16	**750**	1,083	**750**	1,083
Borrowings	17	**31,581**	23,807	**31,581**	23,807
Total non-current liabilities		**33,236**	26,074	**33,236**	26,074
Current liabilities					
Provisions for other liabilities and charges	19	**36**	54	**36**	54
Trade and other payables	20	**18,974**	20,056	**15,902**	12,324
Current tax liabilities		**570**	690	**-**	-
Derivative financial instruments	16	**335**	330	**335**	330
Borrowings	17	**4,382**	3,026	**3,836**	2,924
Total current liabilities		**24,297**	24,156	**20,109**	15,632
Liabilities directly attributable to non-current assets held for sale	21	**2,137**	2,884	**5**	1,520
		26,434	27,040	**20,114**	17,152
Total liabilities		**59,670**	53,114	**53,350**	43,226
Total equity and liabilities		**182,941**	162,573	**158,362**	139,877

The notes on pages 66 to 96 are an integral part of these consolidated financial statements.

The financial statements on pages 59 to 96 were authorised for issue by the board on 4 May 2017 and were signed on its behalf by:

Louis Farrugia

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

Norman Aquilina
Group Chief Executive

INCOME STATEMENTS

		Year ended 31 January			
		Group		Company	
		2017	2016	**2017**	2016
	Notes	**€'000**	€'000	**€'000**	€'000
Continuing operations:					
Revenue	4	**88,119**	86,033	**46,511**	46,679
Cost of sales	22	**(53,683)**	(53,039)	**(22,352)**	(22,801)
Gross profit		**34,436**	32,994	**24,159**	23,878
Selling and distribution costs	22	**(10,712)**	(10,170)	**(7,668)**	(7,936)
Administrative expenses	22	**(10,851)**	(11,078)	**(6,288)**	(6,474)
Other operating expenses		**(21)**	(271)	**–**	–
Operating profit		**12,852**	11,475	**10,203**	9,468
Finance income	25	**5**	14	**189**	133
Finance costs	26	**(1,470)**	(1,377)	**(1,417)**	(1,350)
Profit before tax		**11,387**	10,112	**8,975**	8,251
Tax income	27	**471**	869	**1,196**	1,513
Profit for the year from continuing operations		**11,858**	10,981	**10,171**	9,764
Discontinued operations:					
Profit/(loss) for the year from discontinued operations	21	**274**	242	**–**	(797)
Profit for the year		**12,132**	11,223	**10,171**	8,967
Basic and diluted earnings per share for the year attributable to shareholders arising from:					
– Continuing operations		**€0.395**	€0.366		
– Discontinued operations		**€0.009**	€0.008		
	29	**€0.404**	€0.374		

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			
		Group		Company	
		2017	2016	**2017**	2016
	Notes	**€'000**	€'000	**€'000**	€'000
Profit for the year		**12,132**	11,223	**10,171**	8,967
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	18	**–**	1,070	**–**	399
Revaluation surplus, net of deferred tax	13	**4,666**	–	**1,176**	–
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	15	**214**	(69)	**214**	(69)
Other comprehensive income for the year		**4,880**	1,001	**1,390**	330
Total comprehensive income for the year		**17,012**	12,224	**11,561**	9,297
Total comprehensive income attributable to equity shareholders arising from:					
– Continuing operations		**16,738**	11,982	**11,561**	10,094
– Discontinued operations		**274**	242	**–**	(797)
		17,012	12,224	**11,561**	9,297

The notes on pages 66 to 96 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 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	15	–	(69)	–	–	(69)
Movement in deferred tax due to changes in tax rates on immovable property	18	–	–	2,847	(1,777)	1,070
Net transfers of fair value movements on investment property, net of deferred tax	13	–	–	(1,963)	1,963	–
Total comprehensive income		–	(69)	884	11,409	12,224
Transactions with owners						
Dividends relating to 2015 and 2016	12	–	–	–	(3,000)	(3,000)
Balance at 31 January 2016		9,000	(919)	54,105	47,273	109,459
Balance at 1 February 2016		9,000	(919)	54,105	47,273	109,459
Comprehensive income						
Profit for the year		–	–	–	12,132	12,132
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	–	214	–	–	214
Revaluation of property, plant and equipment net of deferred tax	13	–	–	4,666	–	4,666
Net transfers of fair value movements on investment property, net of deferred tax	13	–	–	375	(375)	–
Total comprehensive income		–	214	5,041	11,757	17,012
Transactions with owners						
Dividends relating to 2016 and 2017	12	–	–	–	(3,200)	(3,200)
Balance at 31 January 2017		**9,000**	**(705)**	**59,146**	**55,830**	**123,271**

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
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	15	–	(69)	–	–	(69)
Movement in deferred tax due to changes in tax rates on immovable property	18	–	–	803	(404)	399
Net transfers of fair value movements on investment property, net of deferred tax	13	–	–	(1,963)	1,963	–
Total comprehensive income		–	(69)	(1,160)	10,526	9,297
Transactions with owners						
Dividends relating to 2015 and 2016	12	–	–	–	(3,000)	(3,000)
Balance at 31 January 2016		9,000	(919)	44,961	43,609	96,651
Balance at 1 February 2016		9,000	(919)	44,961	43,609	96,651
Comprehensive income						
Profit for the year		–	–	–	10,171	10,171
Other comprehensive income:						
Cash flow hedges net of deferred tax	15	–	214	–	–	214
Revaluation of property, plant and equipment net of deferred tax	13	–	–	1,176	–	1,176
Total comprehensive income		–	214	1,176	10,171	11,561
Transactions with owners						
Dividends relating to 2016 and 2017	12	–	–	–	(3,200)	(3,200)
Balance at 31 January 2017		**9,000**	**(705)**	**46,137**	**50,580**	**105,012**

The notes on pages 66 to 96 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2017	2016	**2017**	2016
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	30	**15,513**	18,228	**15,150**	15,803
Interest received		**5**	14	**189**	133
Interest paid		**(1,470)**	(1,377)	**(1,417)**	(1,350)
Income tax paid		**(913)**	(412)	**–**	(412)
Net cash generated from operating activities		**13,135**	16,453	**13,922**	14,174
Cash flows from investing activities					
Purchase of property, plant and equipment		**(18,710)**	(15,267)	**(17,675)**	(13,017)
Advance payments for property, plant and equipment		**–**	(1,623)	**–**	(1,623)
Additions to investment property		**(1,360)**	(1,626)	**(1,360)**	(1,626)
Additions to intangible assets		**–**	(243)	**–**	–
Proceeds from disposal of property, plant and equipment		**356**	30	**350**	–
Proceeds from disposal of investment property		**–**	250	**–**	–
Institutional grants received		**–**	457	**–**	457
Net cash used in investing activities		**(19,714)**	(18,022)	**(18,685)**	(15,809)
Cash flows from financing activities					
Proceeds from non-current borrowings		**9,041**	3,038	**9,041**	3,038
Payments of current and non-current borrowings		**(1,750)**	(1,751)	**(1,750)**	(1,751)
Dividends paid		**(3,200)**	(3,000)	**(3,200)**	(3,000)
Net cash generated from/(used in) financing activities		**4,091**	(1,713)	**4,091**	(1,713)
Net movement in cash and cash equivalents		**(2,488)**	(3,282)	**(672)**	(3,348)
Cash and cash equivalents at beginning of year		**1,166**	4,448	**(485)**	2,863
Cash and cash equivalents at end of year	10, 21	**(1,322)**	1,166	**(1,157)**	(485)

The notes on pages 66 to 96 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 2017

In 2017, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2016. 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 2016. 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. This standard 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.

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.

IFRS 16, 'Leases' deals with lease accounting. Certain operating leases will be recognised in the statement of financial position as an asset (including the right to use the leased item) and a corresponding financial liability to pay rentals. As at the reporting date, the group has non-cancellable operating lease commitments disclosed in note 31. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. This standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group is still in the process of assessing and evaluating the impact of IFRS 16.

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

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

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

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

(b) Jointly-controlled entities

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

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

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

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

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

1.3 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 currency.

(b) Transactions and balances

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

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

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

(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 that a rational market participant would take into account when determining the value of the property.

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

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

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

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

1.7 Intangible assets

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

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

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

1.8 Impairment of non-financial assets

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

1.9 Investments in subsidiaries and jointly-controlled entities

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

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

1.10 Financial assets

1.10.1 Classification

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

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

1.10.2 Recognition and measurement

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

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

1.10.3 Impairment

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

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

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

1.11 Inventories

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

1.12 Trade and other receivables

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

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

1.13 Current and deferred tax

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

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

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

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the unutilised 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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.14 Cash and cash equivalents

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

1.15 Discontinued operations and non-current assets held for sale

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

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

1.16 Share capital

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

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

1.17 Borrowings

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

1.18 Provisions

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

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

1.19 Termination benefits

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

1.20 Trade and other payables

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

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

1.21 Financial liabilities

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

1.22 Offsetting financial instruments

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

1.23 Revenue recognition

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

(a) Sales of goods – wholesale

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

(b) Sales of goods – retail

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

(c) Sales of services

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

(d) Property related income

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

(e) Finance income

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

(f) Dividend income

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

1.24 Operating leases

Where a group company is a lessee

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

Where a group company is a lessor

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

1.25 Finance lease – where the group is a lessee

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

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

1.26 Borrowing costs

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

1.27 Earnings per share

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

1.28 Segment reporting

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

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

1.29 Derivative financial instruments

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

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

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

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

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

1.30 Institutional grants

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

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

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

At 31 January 2017, the settlement dates on open contracts ranged between two and twelve months. These derivatives contracts had a notional amount of €2,290,000. 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 €80,000 and €73,000 respectively lower or higher, mainly as a result of fair value movements on these derivative financial instruments. Such losses or gains in respect of a weakening or a strengthening of the above noted currencies against the euro would mitigate, to the extent of an amount of currency purchases equivalent to the derivative contracts' notional amount as disclosed above, the equivalent gains or losses that would arise upon the actual purchases.

(ii) Cash flow and fair value interest rate risk

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

Significant exposure to cash flow interest rate risk arises in respect of interest payments relating to borrowings, in particular to loans amounting to €15.6 million (2016: €7.5 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	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Carrying amounts				
Trade and other receivables (note 9)	**20,159**	19,766	**18,628**	17,730
Cash and cash equivalents (note 10)	**768**	2,445	**407**	692
	20,927	22,211	**19,035**	18,422

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

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

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

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

Impairment losses

Trade and other receivables

At group level, impairment provisions of €3,448,000 (2016: €2,937,000) were in existence at the year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €2,842,000 (2016: €1,780,000). These unsecured overdue amounts consisted of €2,444,000 (2016: €1,698,000) that were less than three months overdue and €397,000 (2016: €82,000) that were greater than three months overdue.

At company level, impairment provisions of €1,566,000 (2016: €1,387,000) 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 €1,679,000 (2016: €810,000). These unsecured overdue amounts consisted of €1,455,000 (2016: €341,000) that were less than three months overdue and €223,000 (2016: €469,000) that were greater than three months overdue.

Other receivables

As at year end, impairment provisions of €1,655,000 (2016: €1,778,000) for the group and the company were in existence at year end in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €2,659,000 (2016: €1,559,000) for the group and the company. The group and company hold security of €2,623,000 (2016: €2,026,000) 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	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Balance as at 1 February	**4,715**	4,238	**3,165**	2,737
Movement in provision for impairment	**388**	477	**56**	428
Balance as at 31 January	**5,103**	4,715	**3,221**	3,165

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 on which no credit risk is considered to arise.

Derivative financial instruments

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

(c) Liquidity risk

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

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

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

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€'000	€'000	€'000	€'000	€'000
GROUP					
31 January 2017					
Borrowings	**35,109**	**37,538**	**4,664**	**27,172**	**5,702**
Finance lease liabilities	**854**	**924**	**154**	**616**	**154**
Trade and other payables	**18,820**	**18,820**	**18,820**	**–**	**–**
	54,783	**57,282**	**23,638**	**27,788**	**5,856**
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	–
COMPANY					
31 January 2017					
Borrowings	**34,563**	**36,993**	**4,118**	**27,172**	**5,702**
Finance lease liabilities	**854**	**924**	**154**	**616**	**154**
Trade and other payables	**15,748**	**15,748**	**15,748**	**–**	**–**
	51,165	**53,665**	**20,020**	**27,788**	**5,856**
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	–

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 2017				
Interest rate derivative				
– Interest-rate swap	**329**	**622**	**129**	**1,080**
31 January 2016				
Interest rate derivative				
– Interest-rate swap	303	883	243	1,429

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

	Within one year	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000
GROUP AND COMPANY				
31 January 2017				
Foreign exchange derivatives				
– Outflows	(1,536)	–	–	**(1,536)**
– Inflows	1,578	–	–	**1,578**
	42	–	–	**42**
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 2017 and 2016 were as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Total borrowings (note 17)	**35,963**	26,833	**35,417**	26,731
Less cash at hand and in bank	**(768)**	(2,445)	**(407)**	(692)
	35,195	24,388	**35,010**	26,039
Total equity	**123,271**	109,459	**105,012**	96,651
Total equity and net borrowings	**158,466**	133,847	**140,022**	122,690
Gearing	**22.21%**	18.22%	**25.00%**	21.22%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2017 and 2016 the carrying amounts of cash at bank, trade and other receivables, trade and other payables and current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of amounts owed by subsidiaries which are current or repayable on demand is equivalent to their carrying amount.

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

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

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

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

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

	2017 Level 2 €'000	2016 Level 2 €'000
GROUP AND COMPANY		
Liabilities		
Interest rate derivative		
– Interest-rate swap	1,080	1,386
Foreign exchange derivatives		
– Currency forwards	5	27
	1,085	1,413

3. Critical accounting estimates and judgements

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

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

4. Segment information

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

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

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

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

During financial year ended 31 January 2015, the group's board decided to re-organise the internal structure within the group, and to 'spin-off' its property interests from the other business activities into a separate and distinct public company. The completion date for this transaction is expected within the next twelve months. Consequently the results and related assets and liabilities of the segment are classified as 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**
2017					
Revenue	48,200	31,738	14,457	–	**94,395**
Less: inter-segmental sales	(2,054)	(4,222)	–	–	**(6,276)**
	46,146	27,516	14,457	–	**88,119**
Segment results	9,456	2,080	1,316	–	**12,852**
Net finance costs					**(1,465)**
Profit before tax					**11,387**
Tax income					**471**
Profit from continuing operations					**11,858**
Profit from discontinued operations	–	–	–	274	**274**
Profit for the year					**12,132**
Segment assets	132,179	11,317	4,664	–	**148,160**
Non-current assets held for sale	–	–	–	31,266	**31,266**
Unallocated assets					**3,515**
Total assets					**182,941**
Segment liabilities	14,692	3,992	2,317	–	**21,001**
Liabilities directly attributable to non-current assets held for sale	–	–	–	2,137	**2,137**
Unallocated liabilities					**36,532**
Total liabilities					**59,670**
Additions to non-current assets	18,706	230	628	–	**19,564**
Depreciation	5,838	213	648	–	**6,699**
Amortisation	154	–	42	–	**196**
Impairment provision for trade receivables	109	279	–	–	**388**

	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	32,053	12,397	–	92,520
Less: inter-segmental sales	(1,831)	(4,656)	–	–	(6,487)
	46,239	27,397	12,397	–	86,033
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 discontinued 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	–	32	–	67
Impairment on intangible assets	–	271	–	–	271
Impairment provision for trade receivables	421	56	–	–	477

5. Property, plant and equipment

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
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
Year ended 31 January 2017				
Opening net book amount	54,977	14,512	20,494	89,983
Additions and commissioned assets	11,628	(10,213)	18,149	19,564
Disposals	–	–	(1,627)	(1,627)
Depreciation	(1,076)	–	(5,622)	(6,698)
Depreciation released on disposals	–	–	1,623	1,623
Revaluation surplus (note 13)	5,570	–	–	5,570
Transfers to inventories	–	–	(53)	(53)
Transfers from investment property (note 21)	18,422	–	–	18,422
Transfers to investment property (note 21)	(15,895)	–	–	(15,895)
Closing net book amount	**73,626**	**4,299**	**32,964**	**110,889**
At 31 January 2017				
Cost or valuation	73,626	4,299	134,771	212,696
Accumulated depreciation and impairment	–	–	(101,807)	(101,807)
Net book amount	73,626	4,299	32,964	110,889

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
COMPANY				
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
Year ended 31 January 2017				
Opening net book amount	42,235	14,512	17,830	74,577
Additions and commissioned assets	11,537	(10,213)	17,205	18,529
Disposals	–	–	(1,405)	(1,405)
Depreciation	(938)	–	(4,798)	(5,736)
Depreciation released on disposals	–	–	1,401	1,401
Revaluation surplus (note 13)	1,438	–	–	1,438
Transfer from non-current assets held for sale (note 21)	11,781	–	–	11,781
Closing net book amount	**66,053**	**4,299**	**30,233**	**100,585**
At 31 January 2017				
Cost or valuation	66,053	4,299	111,316	181,668
Accumulated depreciation and impairment	–	–	(81,083)	(81,083)
Net book amount	66,053	4,299	30,233	100,585

As at 2017, assets in course of construction mainly relate to works carried out during financial years 2016 and 2017 on the extension of the Logistics Centre and the enlargement of the administration block.

In 2016, 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. This plant was commissioned during the financial year ended 31 January 2017.

As at 31 January 2017, assets transferred to investment property amounting to €15.8 million for the group relate to operational property that is utilised by the group but is expected to be included in the property division of the group that will be 'spun–off' as disclosed in note 21.

As at 31 January 2017, assets transferred from investment property amounting to €18.4 million for the group and €11.8 million for the company relate to property which the group and company will be using for operational purposes in the foreseeable future (note 21).

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

Fair value of property

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

Following the 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 comprising commercial properties leased out to third parties, property held for capital appreciation and property earmarked for extended commercial development (refer to note 21).

On 31 January 2017, the directors approved revaluations of the owned property by the group in preparation for the property division 'spin-off' (note 21), 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. These revaluations resulted in an increase in the value of property classified under property, plant and equipment by €5.6 million, and an increase in value of the property classified under investment property by €0.9 million.

All the recurring property fair value measurements at 31 January 2017 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 2017.

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. Besides the above noted fair value adjustments, the only movements in land and buildings classified as property, plant and equipment reflect additions, disposals and depreciation charge for the year, while the only movement in investment property reflects additions other than transfers between non-current property asset categories (notes 5 and 21).

Valuation processes

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

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

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

Valuation techniques

The external valuations of the level 3 property have been performed using a variety of methods, including an adjusted sales comparison approach, capitalised rentals and the discounted cash flow approach. In 2017, 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 cubic 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) and a capitalisation rate (applied at 5-6.8%).

The value of properties used as business, manufacturing and operational premises by the group including factories and warehouses, currently classified under property, plant and equipment is based on a value-in-use assessment using capitalisation of cash flows. The valuers applied a capitalisation rate to an assessed maintainable level of free cash flows based on the average earnings over the past four years. Following this assessment, no changes to the current value of €76 million attributable to this group of properties were deemed necessary.

In the case of the façade property, the discounted projected cash flows approach was applied taking into consideration the proposed projected plans submitted to the relevant authorities and projected time frames. The significant unobservable inputs include annualised net cash inflows per square metre (driven by premium market rentable rates), an expected occupancy rate, a capitalisation rate (applied at 6.4%), and development costs (based on high quality finishes). The resulting gross development return has been split between development return (assumed at 10% [2016: 13%]) with the residual value attributed to the company land value.

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

Description by class based on highest and best use	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2017				
Current use as manufacturing or related premises	51,035	Discounted cash flow approach	Discount rate	8%
		Capitalised rentals approach	Rental rate per square metre	100
Current use as commercial premises	23,280	Capitalised rentals approach	Rental rate per square metre	80 – 246
		Sales comparison approach	Sales price per cubic metre	175 – 250
		Discounted cash flow approach	Rental rate per square metre	65 – 337
Developable as extended-commercial premises	9,054	Discounted cash flow approach	Annual net cash flows per square metre	175 – 300
Developable land for mixed use/commercial use	21,426	Sales comparison approach	Sales price per cubic metre	175 – 250

Description by class based on highest and best use	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2016				
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 cash flow approach	Annual net cash flows 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 cash flow approach	Annual net cash flows 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

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

In respect of the discounted cashflow approach, the higher the annualised 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 annualised 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 2017, the carrying amount of land and buildings would have been €48,995,000 (2016: €22,351,000) had these assets been included in the financial statements at historical cost less depreciation.

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Cost of sales	**4,420**	3,000	**3,713**	2,329
Selling and distribution costs	**1,449**	1,755	**1,276**	1,518
Administration expenses	**829**	782	**747**	708
	6,698	5,537	**5,736**	4,555

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

6. Intangible assets

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

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.

In 2016, 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 of €271,000.

Amortisation of €42,000 (2016: €32,000) 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:

	2017	2016
	€'000	€'000
Brewing, production and sale of branded beers & beverages	**192**	192
Importation, wholesale and retail of food & beverages	**91**	91
Net book amount	**283**	283

The recoverable amount of a cash-generating unit is determined based on value in use calculations, and is assessed annually. As at 31 January 2017, the directors reviewed the goodwill, and based on the current period's results and plans for the foreseeable future, they are confident that the recoverable amount of goodwill is not materially different from the carrying amount.

7. Investments in subsidiaries

	Company	
	2017	2016
	€'000	€'000
Year ended 31 January		
Opening net book amount	**13,706**	13,706
Additions	**646**	–
Closing net book amount	**14,352**	13,706
At 31 January		
Cost	**18,433**	17,787
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**14,352**	13,706

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

The principal subsidiaries at 31 January 2017 all of which are unlisted, are disclosed in note 36 to these financial statements.

8. Inventories

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**4,494**	2,923	**4,249**	2,688
Finished goods and goods for resale	**7,510**	6,985	**2,772**	1,922
Containers and other stocks	**2,565**	2,426	**2,260**	2,229
	14,569	12,334	**9,281**	6,839

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Cost of sales	**985**	829	**804**	670
Selling, distribution and administrative expenses	**84**	51	**84**	51
	1,069	880	**888**	721

9. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**3,002**	2,757	**3,002**	2,757
Current				
Trade receivables	**12,818**	11,858	**6,889**	6,108
Amounts due from subsidiaries	**-**	-	**5,412**	4,758
Indirect taxation	**65**	74	**-**	-
Other receivables	**4,274**	5,077	**3,325**	4,107
Prepayments and accrued income	**1,159**	1,486	**1,360**	1,703
	18,316	18,495	**16,986**	16,676
Total trade and other receivables	**21,318**	21,252	**19,988**	19,433

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**5,103**	4,715	**3,221**	3,165

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

Amounts due to the company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €4,087,000 (2016: €4,641,000) which are subject to an average interest rate of 4.75% (2016: 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.

In 2016, other receivables 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 which was commissioned in 2017.

10. Cash and cash equivalents

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**768**	2,445	**407**	692
Bank overdrafts	**(2,110)**	(1,279)	**(1,564)**	(1,177)
	(1,342)	1,166	**(1,157)**	(485)

11. Share capital

	Company	
	2017	2016
	€'000	€'000
Authorised:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000
21,000,000 preference shares of €1.00 each	**21,000**	21,000
	30,000	30,000
Issued and fully paid:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000

12. Dividends paid

	Company	
	2017	2016
	€'000	€'000
Interim dividend	**1,000**	1,000
Final dividend	**2,200**	2,000
Total net dividend	**3,200**	3,000
Euro per share (net)	**€0.11**	€0.10

The final dividend of €2,200,000 in respect of the year ended 31 January 2016 was announced to the ordinary shareholders on 28 June 2016. 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 2017 was announced on 28 September 2016, and paid to the ordinary shareholders on 19 October 2016. At the forthcoming Annual General Meeting, a final net dividend of €2,400,000 (€0.08 per share) in respect of the financial year ended 31 January 2017 is to be proposed.

These financial statements do not reflect the final dividend for 2017 of €2,400,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2018.

13. Revaluation reserve

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Non-current assets				
At beginning of year, before deferred tax	**43,827**	46,009	**36,495**	38,677
Fair value movements	**6,498**	(2,182)	**1,438**	(2,182)
	50,325	43,827	**37,933**	36,495
Deferred taxation (note 18)	**(6,742)**	(5,285)	**(4,062)**	(3,800)
At 31 January	**43,583**	38,542	**33,871**	32,695

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

14. Other reserves

	Share premium	Other unrealised reserve	Incentives and benefits reserve	Capital redemption reserve	Total
	€'000	€'000	€'000	€'000	€'000
GROUP					
At 1 February 2016 and 1 February 2017	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
COMPANY					
At 1 February 2016 and 1 February 2017	**2,078**	**210**	**2,515**	**7,463**	**12,266**

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

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

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

15. Hedging reserve

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

	Currency derivatives €'000	Interest rate swap €'000	Total €'000
GROUP AND COMPANY			
At 31 January 2015			
Gross amounts of losses	–	1,307	1,307
Deferred taxes (note 18)	–	(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 18)	5	(96)	(91)
	(8)	177	169
Transferred to statement of comprehensive income (note 26)	40	(194)	(154)
Deferred taxes (note 18)	(14)	68	54
	26	(126)	(100)
At 31 January 2016			
Gross amounts of losses	27	1,386	1,413
Deferred taxes (note 18)	(9)	(485)	(494)
	18	901	919
Movement for the year ended 31 January 2017			
Losses from changes in fair value	143	1	144
Deferred taxes (note 18)	(51)	–	(51)
	92	1	93
Transferred to statement of comprehensive income (note 26)	(165)	(307)	(472)
Deferred taxes (note 18)	58	107	165
	(107)	(200)	(307)
At 31 January 2017			
Gross amounts of losses	5	1,080	1,085
Deferred taxes (note 18)	(2)	(378)	(380)
	3	**702**	**705**

The net fair value losses recognised in equity at 31 January 2017 on the interest-rate swap contracts will be transferred from the hedging reserve to the income statements during the remaining term of the contracts up to 2024. As at the reporting period date, these contracts are designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract.

16. Derivative financial instruments

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

	Group and Company €'000
FAIR VALUES LIABILITIES	
At 31 January 2017	
Interest rate derivative	
– interest-rate swap	**1,080**
Foreign exchange derivatives	
– currency forwards	**5**
Total recognised derivative liabilities	**1,085**
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:

	2017 €'000	2016 €'000
DERIVATIVES FINANCIAL LIABILITIES		
Non-current	**750**	1,083
Current	**335**	330
	1,085	1,413

(a) Interest rate derivatives

During the financial year ended 31 January 2015, the company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €12.4 million matching the principal amount of an equal value specific bank loan. As at year end the company had effected actual drawdowns of €12.08 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 three 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 €3.5 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 three month floating Euribor rate. The derivative expires in 2020, thus matching with the terms of loan.

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

Gains and losses recognised in the hedging reserve in equity (note 15) on the interest rate swap contracts as of 31 January 2017 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 2017 had a notional value of USD1,300,000, GBP900,000 and PLN172,000 with an average contracted rate of €1:USD1.0735, €1:GBP0.8519 and €1:PLN4.3778. The related fair value of outstanding forward contracts as at 31 January 2017 amounted to a net liability of €5,118.

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

17. Borrowings

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Non-current				
6.0% Bonds 2017 – 2020	**14,985**	14,831	**14,985**	14,831
Bank loans	**15,876**	8,976	**15,876**	8,976
Finance lease liabilities (note 31)	**720**	–	**720**	–
	31,581	23,807	**31,581**	23,807
Current				
Bank overdrafts	**2,110**	1,279	**1,564**	1,177
Bank loans	**2,138**	1,747	**2,138**	1,747
Finance lease liabilities (note 31)	**134**	–	**134**	–
	4,382	3,026	**3,836**	2,924
Total borrowings	**35,963**	26,833	**35,417**	26,731

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Face value of bonds				
6.0% Bonds 2017 – 2020	**15,000**	15,000	**15,000**	15,000
Issue costs	**384**	384	**384**	384
Accumulated amortisation	**(369)**	(215)	**(369)**	(215)
Net book amount	**15**	169	**15**	169
Amortised cost	**14,985**	14,831	**14,985**	14,831

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 2017 for the 6.0% Bonds 2017–2020 was 103.10 (2016: 105.00).

As contemplated in the prospectus dated 10 May 2010, the group's bank issued a bank guarantee for an amount of €2,250,000 (2016: €1,500,000) in fulfilment of the company's reserve account obligations as per clause 26.9 of the above noted prospectus.

The group's and the company's banking facilities as at 31 January 2017 and 2016 amounted to €48,250,000 and €50,000,000 for the group, and €40,350,000 and €42,100,000 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	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
At floating rates	**17,689**	8,817	**17,143**	8,715
At fixed rates	**18,274**	18,016	**18,274**	18,016
Total borrowings	**35,963**	26,833	**35,417**	26,731

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

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

	Group		Company	
	2017	2016	**2017**	2016
	%	%	**%**	%
Bank overdrafts	**4.52**	4.60	**4.60**	4.60
Bank loans	**2.48**	3.06	**2.48**	3.06
Bonds 2017 – 2020	**6.00**	6.00	**6.00**	6.00
Finance lease liabilities	**2.30**	–	**2.30**	–

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

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

18. Deferred taxation

The movement in the deferred tax account is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
At beginning of year	**(2,105)**	2,407	**(3,872)**	(1,300)
Credited to income statements (note 27)	**(574)**	(3,405)	**(1,196)**	(2,136)
Debited/(credited) directly in equity	**904**	(1,070)	**262**	(399)
Net tax effect of re-measurement of derivatives	**114**	(37)	**114**	(37)
At end of year	**(1,661)**	(2,105)	**(4,692)**	(3,872)
Disclosed as follows:				
Continuing operations	**(3,486)**	(4,210)	**(4,692)**	(5,153)
Discontinued operations	**1,825**	2,105	**–**	1,281
At end of year	**(1,661)**	(2,105)	**(4,692)**	(3,872)

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% (2016: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 8% or 10% (2016: 10%) of the transfer value.

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. In 2016, 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 €1,359,000 (2016: €1,080,000). 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 €1,139,000.

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

	Fixed assets	Investment tax credits	Fair value (gain)/loss	Net tax losses	Revaluation surplus	Provisions on assets	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
(Assets)/Liabilities							
GROUP							
At 1 February 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)
At 1 February 2016	4,060	(10,028)	13	76	5,285	(1,511)	(2,105)
Income statements	407	(1,359)	–	18	553	(193)	(574)
Equity	–	–	114	–	904	–	1,018
At 31 January 2017	**4,467**	**(11,387)**	**127**	**94**	**6,742**	**(1,704)**	**(1,661)**
COMPANY							
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)
At 1 February 2016	4,261	(10,028)	(466)	93	3,800	(1,532)	(3,872)
Income statements	232	(1,359)	–	–	–	(69)	(1,196)
Equity	–	–	114	–	262	–	376
At 31 January 2017	**4,493**	**(11,387)**	**(352)**	**93**	**4,062**	**(1,601)**	**(4,692)**

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 2017, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Unutilised investment tax credits	**6,570**	2,065	**6,570**	2,065
Unabsorbed tax losses	**18**	18	**–**	–
Unabsorbed capital allowances	**631**	631	**–**	–
	7,219	2,714	**6,570**	2,065

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

19. Other provisions

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Termination benefit provisions				
At 1 February	**54**	101	**54**	101
Charged to profit and loss	**41**	46	**41**	46
Utilised during the year	**(59)**	(93)	**(59)**	(93)
At 31 January	**36**	54	**36**	54

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 2017 total €41,000 while for 2016 total €46,000 (note 22). It is anticipated that €30,000 (2016: €29,000) of the provision will be paid during the financial year ending 31 January 2018.

20. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Non-current				
Capital and other payables	**905**	1,184	**905**	1,184
Current				
Trade payables	**5,128**	8,417	**1,357**	3,308
Capital and other payables	**4,912**	3,244	**4,405**	2,795
Amounts due to subsidiaries	**–**	–	**3,902**	–
Indirect taxes and social security	**1,532**	1,617	**901**	1,116
Accruals and deferred income	**7,402**	6,778	**5,337**	5,105
	18,974	20,056	**15,902**	12,324
Total trade and other payables	**19,879**	21,240	**16,807**	13,508

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

As at 31 January 2017, capital and other payables include institutional grants amounting to €1,059,000 (2016: €1,213,000) 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 €905,000 (2016: €1,049,000). Such funds are treated as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. The impact of these grants on the current year's results are disclosed in note 22.

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

The assets relating to the property management segment have been presented as held for sale following the approval of the group's management in the third quarter of 2015 to re-organise the corporate structure of the Farsons group, and to 'spin-off' (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 Trident Park project. The completion date for this transaction is expected within the next twelve months. The group believes that this extended period was necessary to satisfy certain conditions required for the completion of this transaction.

Assets of disposal group classified as held for sale

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Property, plant and equipment (note 5)	**13**	17	**–**	–
Investment property	**31,169**	31,407	**9,054**	19,475
Investments in jointly-controlled entities	**12**	12	**3**	3
Loans and receivables	**–**	56	**–**	–
Trade and other receivables	**37**	66	**–**	–
Cash and cash equivalents	**20**	–	**–**	–
Current tax asset	**15**	–	**–**	–
Non-current assets held for sale	**31,266**	31,558	**9,057**	19,478

Liabilities of disposal group classified as held for sale

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Deferred tax (note 18)	**1,825**	2,105	**–**	1,281
Trade and other payables	**284**	659	**5**	239
Current tax liabilities	**28**	120	**–**	–
Liabilities directly attributable to non-current assets held for sale	**2,137**	2,884	**5**	1,520

In accordance with IFRS 5, the assets and liabilities held for sale were remeasured to their fair value less costs to sell of €375,000 (2016: €1,964,000) (net of deferred tax). This is a non-recurring fair value which has been measured using unobservable inputs, as disclosed in note 5 under fair value of property, and is therefore within level 3 of the fair value hierarchy.

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Investment property				
Year ended 31 January				
Opening net book amount	**31,407**	32,294	**19,475**	20,031
Additions	**1,361**	1,380	**1,360**	1,626
Disposals	**–**	(4)	**–**	–
Fair value adjustments (note 13)	**928**	(2,263)	**–**	(2,182)
Transfers from property, plant and equipment (note 5)	**15,895**	–	**–**	–
Transfer to property, plant and equipment (note 5)	**(18,422)**	–	**(11,781)**	–
Closing net book amount	**31,169**	31,407	**9,054**	19,475

Design and development works related to the Trident Park project progressed in 2017 and amounted to €1.4 million.

As at 31 January 2017, in preparation for the noted 'spin-off', the group re-classified a number of properties between its property asset categories. The group transferred operational property to investment property amounting to €15.8 million presently utilised by the group but expected to be 'spun-off' within its property division. The group also transferred out assets from investment property amounting to €18.4 million for the group and €11.8 million for the company relating to property which the group and company will be using for operational purposes in the foreseeable future (note 5).

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	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Revenue	**295**	337	**–**	–
Cost of sales	**(207)**	(383)	**–**	–
Gross profit/(loss)	**88**	(46)	**–**	–
Administrative expenses	**(65)**	(103)	**–**	–
Investment income	**11**	–	**–**	1,173
Share of results of associate (net of tax)	**–**	763	**–**	–
Profit before tax from discontinued operations	**34**	614	**–**	1,173
Tax (expense)/income (note 27)	**(135)**	1,592	**–**	(6)
(Loss)/profit after tax from discontinued operations	**(101)**	2,206	**–**	1,167
Gain/(loss) on the re-measurement of assets held for sale	**928**	(2,182)	**–**	(2,182)
Tax (expense)/income (note 27)	**(553)**	218	**–**	218
Profit/(loss) after tax on the re-measurement of assets held for sale	**375**	(1,964)	**–**	(1,964)
Profit/(loss) for the year from discontinued operations	**274**	242	**–**	(797)

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Operating cash flows	**(498)**	1,086	**(234)**	1,524
Investing cash flows	**(1,360)**	(1,376)	**(1,360)**	(1,626)

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

22. Expenses by nature

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (note 5)	**6,698**	5,537	**5,736**	4,555
(Profit)/loss on disposal of property, plant and equipment (note 5)	**(352)**	359	**(346)**	–
Employee benefit expense (note 23)	**18,149**	17,067	**10,174**	9,953
Termination benefits (note 23)	**41**	62	**41**	62
Raw materials, imported goods and consumables	**40,584**	39,559	**10,767**	10,861
Changes in inventories of finished goods and work in progress (note 8)	**525**	368	**850**	(417)
Increase in impairment provisions for trade and other receivables (note 9)	**388**	477	**56**	428
Impairment of trade receivables	**28**	8	**20**	3
Amortisation of intangible assets (note 6)	**42**	32	**–**	–
Other expenses	**9,415**	11,304	**9,010**	11,766
Total cost of sales, selling and distribution costs and administrative expenses	**75,518**	74,773	**36,308**	37,211

Operating profit is stated after crediting deferred institutional grants amounting to €154,000 (2016: €177,000), which are included in 'Cost of sales'.

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Disclosed as:				
Continuing operations	**75,246**	74,287	**36,308**	37,211
Discontinued operations	**272**	486	**–**	–
	75,518	74,773	**36,308**	37,211

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2017 and 2016 relate to the following:

	Group	
	2017	2016
	€'000	€'000
Annual statutory audit	**141**	135
Other assurance services	**58**	14
Tax advisory and compliance services	**29**	18
Other non-assurance services	**36**	27
	264	194

23. Employee benefit expense

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Wages and salaries	**16,878**	15,828	**10,788**	10,415
Social security costs	**1,219**	1,186	**783**	763
Other employee related costs	**52**	53	**52**	53
	18,149	17,067	**11,623**	11,231
Recharged to subsidiaries	**–**	–	**(1,449)**	(1,278)
	18,149	17,067	**10,174**	9,953
Termination benefits	**41**	62	**41**	62
	18,190	17,129	**10,215**	10,015

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

	Group		Company	
	2017	2016	**2017**	2016
Brewing, production and sale of branded beers and beverages	**477**	497	**457**	479
Importation, wholesale and retail of food and beverages, including wines and spirits	**88**	80	**–**	–
Operation of franchised food retailing establishments	**268**	229	**–**	–
	833	806	**457**	479

24. Net exchange differences

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**163**	(62)	**185**	(73)
Fair value (losses)/gains on derivative instruments: – Foreign exchange forward contracts	**(165)**	40	**(165)**	40
	(2)	(22)	**20**	(33)

25. Finance income

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Interest on loans and receivables	**5**	14	**–**	–
Interest on amounts owed by subsidiaries	**–**	–	**184**	124
Other interest	**–**	–	**5**	9
	5	14	**189**	133

26. Finance costs

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Interest on bank loans and overdrafts	**231**	268	**158**	223
Finance lease interest	**24**	–	**24**	–
Interest on bonds	**894**	900	**894**	900
Fair value loss on derivative financial instruments	**307**	194	**307**	194
Other finance costs	**14**	15	**34**	33
	1,470	1,377	**1,417**	1,350

During the year ended 31 January 2017, the company was granted net interest subsidy amounting to €311,000 (2016: €80,000) from Malta Enterprise related to approved investment loans of €14.5 million (2016: €6.2 million). A net effective interest rate of 2.1% (2016: 1.2%) was applied, representing the borrowing cost of the loans utilised to finance capital projects. This rate is net of the interest rate subsidy provided by Malta Enterprise.

27. Tax income

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Current tax expense	**791**	726	**–**	411
Deferred tax income (note 18)	**(574)**	(3,405)	**(1,196)**	(2,136)
Tax expense/(income)	**217**	(2,679)	**(1,196)**	(1,725)
Disclosed as:				
Continuing operations	**(471)**	(869)	**(1,196)**	(1,513)
Discontinued operations (note 21)	**688**	(1,810)	**–**	(212)
	217	(2,679)	**(1,196)**	(1,725)

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Profit before tax from continuing operations	**11,387**	10,112	**8,975**	8,251
Profit/(loss) for the year from discontinued operations	**963**	(1,568)	**–**	(1,009)
Profit before tax	**12,350**	8,544	**8,975**	7,242
Tax on profit at 35%	**4,323**	2,990	**3,141**	2,535
Tax effect of:				
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	**(8,695)**	(941)	**(8,695)**	(941)
Movements in unrecognised deferred tax assets	**4,502**	(3,402)	**4,502**	(3,402)
Differences related to termination benefits	**19**	33	**19**	33
Over provision in unrecognised and recognised deferred tax related to prior years	**9**	88	**–**	–
Impairment on immovable property	**–**	545	**–**	545
Changes in tax rules on immovable property	**–**	(1,777)	**–**	(405)
Tax rules applicable to property values	**228**	–	**–**	–
Non-taxable income or allowable expenses	**(169)**	52	**(163)**	(90)
Share of results of associate	**–**	(267)	**–**	–
Tax expense/(income)	**217**	(2,679)	**(1,196)**	(1,725)

28. Directors' emoluments

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**247**	192	**247**	192
Salaries	**58**	58	**58**	58
Other emoluments	**264**	238	**264**	238
	569	488	**569**	488
Amounts provided for				
One time gratuity	**–**	125	**–**	125
Total directors' remuneration	**569**	613	**569**	613

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.

During the year ended 31 January 2016, 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.

29. Earnings per share

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

	Group	
	2017	2016
Profit from continuing operations attributable to shareholders (€'000)	**11,858**	10,981
Profit from discontinued operations attributable to shareholders (€'000)	**274**	242
Profit attributable to shareholders (€'000)	**12,132**	11,223
Weighted average number of ordinary shares in issue (thousands)	**30,000**	30,000
Basic and diluted earnings per share for the year attributable to shareholders arising from:		
Continuing operations	**€0.395**	€0.366
Discontinued operations	**€0.009**	€0.008
	€0.404	€0.374

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

30. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Operating profit from continuing operations	**12,852**	11,475	**10,203**	9,468
Operating profit from discontinued operations	**34**	614	**–**	1,173
Operating profit	**12,886**	12,089	**10,203**	10,641
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	**6,698**	5,543	**5,736**	4,555
(Profit)/loss on disposal of property, plant and equipment	**(352)**	359	**(346)**	–
Impairment investment property	**–**	81	**–**	–
Impairment of intangible assets (note 6)	**–**	271	**–**	–
Amortisation of intangible assets (note 6)	**42**	32	**–**	–
Amortisation of institutional grant (note 22)	**(154)**	(177)	**(154)**	(177)
Amortisation of bond issue costs (note 17)	**154**	35	**154**	35
Increase in provision for impairment of trade and other receivables (note 9)	**388**	477	**56**	428
Provision for termination benefits (note 19)	**41**	46	**41**	46
	19,703	18,756	**15,690**	15,528
Changes in working capital:				
Inventories	**(2,182)**	(1,217)	**(2,442)**	(414)
Trade and other receivables	**(369)**	(1,495)	**(1,257)**	(592)
Trade and other payables	**(1,639)**	2,184	**3,159**	1,281
Cash generated from operations	**15,513**	18,228	**15,150**	15,803

31. Commitments

Capital commitments

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**17,813**	16,009	**16,542**	14,533
Contracted but not provided for	**4,744**	12,209	**4,744**	12,209
	22,557	28,218	**21,286**	26,742

Operating lease commitments – where a group company is a lessee

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**574**	468	**–**	–
Later than 1 year and not later than 5 years	**1,820**	1,980	**–**	–
Later than 5 years	**1,232**	1,645	**–**	–
	3,626	4,093	**–**	–

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	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**419**	407	**–**	–
Later than 1 year and not later than 5 years	**1,203**	1,391	**–**	–
Later than 5 years	**657**	888	**–**	–
	2,279	2,686	**–**	–

Finance lease commitments

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

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**154**	–	**154**	–
Later than 1 year and not later than 5 years	**616**	–	**616**	–
Later than 5 years	**154**	–	**154**	–
	924	–	**924**	–
Future finance charges on finance leases	**(70)**	–	**(70)**	–
Present value of finance lease liabilities	**854**	–	**854**	–

32. Contingent liabilities

At 31 January 2017, the group and the company had contingent liabilities amounting to €3,370,000 (2016: €2,982,000) and €423,000 (2016: €681,000) respectively, with regards to guarantees mainly in favour of the Comptroller of Customs issued by the bank on behalf of the group and company in the ordinary course of business and capital expenditure.

33. Related party transactions

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

	Percentage of shares held	
	2017	2016
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% (2016: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Income from goods and services				
– Sales of goods to subsidiaries	**–**	–	**2,008**	1,829
– Sales of goods to related parties	**246**	291	**126**	120
– Recharge of costs to subsidiaries	**–**	–	**1,708**	1,621
– Recharge of payroll costs to subsidiaries	**–**	–	**1,835**	1,663
– Finance income on loans to subsidiaries	**–**	–	**184**	124
	246	291	**5,861**	5,357
Expenditure for goods and services				
– Purchases of goods from subsidiaries	**–**	–	**743**	756
– Purchases of goods and services from related parties	**748**	735	**609**	573
– Finance costs on loans from subsidiaries	**–**	–	**34**	34
	748	735	**1,386**	1,363

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

	Group	
	2017	2016
	€'000	€'000
Directors	**569**	613
Senior Management	**671**	562
	1,240	1,175

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

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

34. Statutory information

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

35. Comparative information

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

36. Subsidiaries and jointly-controlled entities

The principal subsidiaries at 31 January 2017 are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2017**	2016
EcoPure Limited	The Brewery, Mdina Road, Mriehel	Sale and distribution of bottled water	**100**	100
Farsons Distribution Services Limited	The Brewery, Mdina Road, Mriehel	Non-operating	**100**	100
Farsons Beverage Imports Company Limited	The Brewery, Mdina Road, Mriehel	Importation and wholesale of beverages, wines and spirits	**100**	100
Food Chain Limited	303, Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Galleria Management Limited	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 Estates Limited (formerly known as Trident Developments Limited)	The Brewery, Mdina Road, Mriehel	Intermediate investment management and property holding	**100**	100

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the company

	Ordinary shares held as at 31 January 2017	Ordinary shares held as at 4 May 2017
Louis A. Farrugia	30,223	30,223
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Baroness Christiane Ramsay Pergola	10,941	10,941
Marquis Marcus John Scicluna Marshall	5,857	5,857
Marcantonio Stagno d'Alcontres	2,858	2,858

Mr Marcantonio Stagno d'Alcontres and Ms Marina Hogg have a beneficial interest in M.S.M. Investments Limited. Mr Louis A. Farrugia has a beneficial interest represented by 1 share in Farrugia Investments Limited. Mr Louis A. Farrugia and Mr Michael Farrugia respectively have a beneficial interest in 25% and in 12.5% of the shares in Farrugia Holdings Limited which holds the rest of the shares in Farrugia Investments Limited apart from directly holding 42,916 shares in Simonds Farsons Cisk plc. Marquis Marcus John Scicluna Marshall and Baroness Christiane Ramsay Pergola have a beneficial interest in Sciclunas Estates Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2017 to 4 May 2017.

Shareholders holding 5% or more of the equity share capital as at 4 May 2017

Ordinary shares

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

Shareholding details

As at 4 May 2017, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,857

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 4 May 2017

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	628	143,807	0.48%
501 – 1,000	366	265,957	0.89%
1,001 – 5,000	655	1,482,457	4.94%
More than 5,000	208	28,107,779	93.69%
	1,857	30,000,000	100.00%

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Company Secretary

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FIVE YEAR SUMMARISED GROUP RESULTS

		2017	2016	2015	2014	2013
		€'000	€'000	€'000	€'000	€'000
Revenue		**88,414**	86,370	79,503	78,629	77,180
Operating costs		**(75,528)**	(75,044)	(69,891)	(70,235)	(69,204)
Operating profit		**12,886**	11,326	9,612	8,394	7,976
Changes in fair value of investment property		**928**	(2,182)	(8,000)	–	–
Share of results of associate		**–**	763	–	–	–
Net finance costs		**(1,465)**	(1,363)	(1,460)	(1,542)	(1,495)
Profit/(loss) before taxation arising from:						
– continuing operations		**11,387**	10,112	8,235	6,875	6,372
– discontinued operations		**962**	(1,568)	(8,083)	(23)	109
Tax		**(217)**	2,679	7,857	(527)	(512)
Profit attributable to Ordinary shareholders		**12,132**	11,223	8,009	6,325	5,969
Net dividends paid on Ordinary shares		**3,200**	3,000	2,500	3,100	2,100
Shareholders' funds		**123,271**	109,459	100,235	95,274	91,925
Borrowings		**35,963**	26,833	24,290	27,077	29,703
Total capital employed		**159,234**	136,292	124,525	122,351	121,628
Fixed Assets		**111,505**	90,641	80,888	119,854	120,271
Non-current Assets		**6,488**	6,967	3,085	1,739	2,270
Current assets		**33,682**	33,407	32,597	28,942	28,990
Assets held for sale		**31,266**	31,558	33,041	–	–
Liabilities (excluding borrowings)		**(23,707)**	(26,281)	(25,086)	(28,184)	(29,903)
Total assets less liabilities (excluding borrowings)		**159,234**	136,292	124,525	122,351	121,628
Shares in issue during the financial year:						
– Ordinary shares	*'000*	**30,000**	30,000	30,000	30,000	30,000
Number of Ordinary shareholders		**1,857**	1,830	1,809	1,796	1,790
Earnings per Ordinary share (reference note 29)		**€0.404**	€0.374	€0.267	€0.211	€0.199
Return on average capital employed	*percentage*	**8.7**	8.8	7.8	6.9	6.6
Dividend cover	*times*	**3.79**	3.74	3.20	2.04	2.84
Dividends per Ordinary share (net of tax)		**€0.107**	€0.100	€0.083	€0.103	€0.070
Net asset value per Ordinary share		**€4.11**	€3.65	€3.34	€3.18	€3.06
Gearing	*percentage*	**22.21**	18.22	16.48	21.38	24.09

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

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

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

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

Vision & Mission

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

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

Simonds Farsons Cisk plc

Annual Report **2016/17**

FARSONS GROUP

Farsons

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