SIMONDS FARSONS CISK PLC

ANNUAL REPORT 2020/21

FOR THE YEAR ENDED 31 JANUARY 2021

FARSONS GROUP
Farsons

ADDRESSING CHALLENGES WITH RESILIENCE AND ADAPTABILITY

THE OLD BREWHOUSE PROJECT, FEATURED ON THE FRONT COVER, IS NEARING COMPLETION, AND MARKS THE FIRST LOCAL CONVERSION OF SUCH A LARGE-SCALE AND LISTED INDUSTRIAL SPACE.

IN MANY WAYS, THE CAREFUL RESTORATION AND TRANSFORMATION OF THIS ICONIC ASSET EMBODIES HOW THE FARSONS GROUP IS ADDRESSING CHALLENGES WITH RESILIENCE AND ADAPTABILITY, AS IT GIVES A NEW LEASE OF LIFE AND PURPOSE TO AN INTRINSIC PART OF MALTA'S BREWING HERITAGE.

FARSONS GROUP
Farsons

Simonds Farsons Cisk plc

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Annual Report for the year ended 31 January 2021

CHAIRMAN'S STATEMENT

The forthcoming 74th Annual General Meeting of Simonds Farsons Cisk plc will be the 48th that I would have attended in person, of which 45 I have attended as a board member. That means I have actively participated in decisions taken within the Farsons Group over approximately half the period since it was established. I have seen times change, and in the more recent years at a faster rate than ever before. One aspect that has not changed at all is that there will always be new (and sometimes unexpected) challenges to face. Indeed, the truth is that it has always been a challenge to stay relevant in the businesses in which we operate, and it has always been essential to look for areas and sectors in which we can invest and innovate to grow and develop our operations for the benefit of all our stakeholders. This past year has not been an exception to this philosophy – and we have certainly not been short of unexpected challenges.

In fact, financial year 2021 will go down as one of the most challenging in our history. I am of course referring to what we have all had to face, namely the outbreak of the Covid-19 pandemic. In effect, it has disrupted the entire world order as we knew it, most especially the travel and hospitality sectors. Public health systems around the globe have been under tremendous strain; governments have had to find enormous amounts of money to fund stricken industries and workforces as well as reinforcing the health systems which have been close to being overwhelmed by the rate of infections and the huge number of seriously ill patients that have required intensive care. Covid-19 has above all been a human tragedy and a public health crisis of immense proportions. Millions have lost their lives and hundreds of millions have been seriously ill. In parts of the world the tragedy continues – and behind the statistics are individuals and very real family loss, sadness and grief. Malta has not escaped the terrible toll that the pandemic has taken as it spread across every corner of every continent at extraordinary speed.

The Directors' report highlights the substantial extent to which our trading performance has been affected. Group Turnover fell from €103 million to €73 million, a decrease of 29.4% during the year under review. The drop in Turnover was experienced across all sectors, with the higher drops being registered in the beverage import operations (minus 34%) and the franchised food establishments (minus 35%) – both impacted by enforced closures and the absence of tourists this past year. Beer sales were badly hit by the closure of on-premise outlets such as bars, pubs, and social clubs, and to a lesser extent by the closure of restaurants. On the other hand, over the first 11 months since the World Health Organisation (WHO) declared Covid-19 as a pandemic, sales to take home outlets such as supermarkets, drive throughs and the home delivery sector have remained resilient.

Operating performance reported in this Annual Report by our Group Chief Executive, Norman Aquilina, was monitored closely by our management team throughout the year, as they responded with speed and agility to the rapidly evolving situation. In fact, you will note from reading the accounts that major savings were registered in selling, distribution and administrative expenses amounting to €6.5 million. This effort to contain costs was aided by Government's measures, in particular the wage supplement job protection scheme which has been especially effective and welcome. Within the Group, agreements were struck with the unions representing the workforce in rescheduling work, cutting overtime, introducing several shut down days and facilitating home working.

Group profit before tax for the year amounted to €4.4 million, a decrease of €7.9 million (64%) over that reported for last year (2020 €12.3 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to €14.95 million as compared to €22.7 million in FY 2020. Group net indebtedness decreased by €15.6 million and at the year end FY2021 stood at €18.6 million, whilst the gearing ratio reduced from 25.9% to 16.8%. This reduction is due to measures taken by the Board and management to curtail capital expenditure, destocking of inventory and a strong focus on trade collections, as well as certain VAT and social security payment deferral schemes introduced by government.

The tax charge in this year's result amounts to €1.1 million, an increase over last year despite a smaller profit figure, due to a reduction in the recognised deferred tax asset resulting from the subdued profit outlook over the post Covid-19 recovery period. Profit after taxation amounts to €3.3 million.

As set out in the Directors' report, shareholders are compensated for the capital that they invest in a business through dividends – and our shareholders have over the years reinvested many millions of euro into the business through profit retentions. Therefore, any decision to defer or suspend the declaration of regular dividends is not taken lightly. However, given the huge uncertainty that prevailed in early 2020 as a result of the outbreak of the pandemic your board did not feel able to recommend a dividend to the last Annual General Meeting which was held in October 2020. At the time of the declaration of our six-monthly results a month earlier, given the onset of the second wave of infections that was taking hold across Europe, your board likewise did not feel able to declare the payment of an interim dividend.

Vaccination programs are being rolled out in Malta and across Europe and now seem to be having the desired effect in reducing transmission and the number of Covid–19 cases. However, much more work is needed for the world to declare victory over the virus, and it is salutary to remind ourselves that globally current weekly infections rates are at the highest level recorded since the outbreak of the pandemic. Given this scenario, your board feels that it would be prudent to await developments and to see how matters pan out over the coming summer months in Malta and Europe particularly in terms of the opening of the tourist market, which is so critical to Malta's economy and to our business.

If things go well as we hope will be the case, then your Board will certainly consider favourably the declaration of an interim dividend at the time of the announcement of our half yearly results in September.

I am sure that you all appreciate that our Group was able to manage the sizeable reduction in its trading activities without having to declare redundancies or take other severe measures, and that is because it faced the crisis from a position of strength. The Group had just completed 10 years of growth in turnover and profits as well as implementing a very sizeable investments program that modernized and transformed our facilities immediately before the start of the pandemic. As a result, over the past year we have been able to reduce our capital investment spend without compromising our productivity and quality standards.

That being said, we are in the midst of a €15 million long planned and keenly anticipated old brewhouse project which is currently in full swing. When completed this project will promote the Group's proud industrial heritage and will house revenue earning facilities such as the creation of a micro brewery on the lines of specialised craft breweries which will enable the Group to tap into a new sector in the beer brewing industry. This will bring the SFC product offering on par with foreign world-renowned breweries which are today expected not just to manufacture beers but to also render to suppliers and customers a "beer experience". The project will also include a Visitors' centre depicting the Farsons story, office space, as well as food and beverage outlets to support the high number of employees who will be working at nearby Trident Park. We shall be converting what has been an idle and deteriorating asset in recent years into a revenue earning space whilst at the same time enhancing and promoting the value of our brands to the many thousands who will be visiting the Brewhouse and sampling our products.

I must now acknowledge and thank all our employees and management for the sacrifices that they had to endure over this past year. These included a reduction in the working week and the utilisation of leave days that resulted in lower take home pay. All sectors of the workforce have shown a deep understanding of the need for these measures and the Board is indeed grateful. I also thank our Group Chief Executive Norman Aquilina for leading his dedicated team of managers through this difficult year with a sense of calm and pragmatic decision making in response to unfolding events.

In conclusion, I am satisfied that our results are commendable given the enormity of the challenges that we all faced since March 2020. I am confident that with the success of the vaccine program and continued Government support, our tourism industry will revive and so will our trading performance.

I must add that your Directors, Group Chief Executive and Senior Management all took a cut in their remuneration during the same period that the Group took the measures referred to above. I sincerely thank them for their positive and collaborative approach to burden-sharing during these difficult times.

I thank our lawyers, Mamo TCV, and our auditors PWC, for their continued valid advice. Lastly, a special thank you to you our shareholders for your understanding of the current situation. Thank you.

Louis Farrugia

Louis A. Farrugia
Chairman
26 May 2021

BOARD OF DIRECTORS

Louis A. Farrugia
Chairman

Roderick Chalmers

Dr Max Ganado

Baroness Christiane Ramsay Pergola

Antoinette Caruana
Company Secretary

Marcantonio Stagno d'Alcontres
Vice-Chairman

Michael Farrugia

Marina Hogg

Marquis Marcus John Scicluna Marshall

BOARD COMMITTEES

Corporate Governance Committee *up to 30 April 2021*
Marcantonio Stagno d'Alcontres - *Chairman*
Dr Max Ganado
Marina Hogg
Marquis M. Scicluna Marshall

Corporate Governance Committee *as from 1 May 2021 incorporating the Nomination Committee and the Board Performance Evaluation Committee*
Roderick Chalmers - *Chairman*
Michael Farrugia
Dr Max Ganado
Marina Hogg
Baroness Christiane Ramsay Pergola

Board Performance Evaluation Committee *up to 30 April 2021*
Marquis Marcus John Scicluna Marshall - *Chairman*
Michael Farrugia
Dr Max Ganado
Marina Hogg

Related Party Transactions Committee
Dr Max Ganado - *Chairman*
Roderick Chalmers *up to 30 April 2021*
Marquis M. Scicluna Marshall *up to 30 April 2021*
Baroness Christiane Ramsay Pergola
Marcantonio Stagno D'Alcontres
Marina Hogg *as from 1 May 2021*

New Ventures/Acquisitions/Mergers Committee *up to 30 April 2021*
Dr Max Ganado - *Chairman*
Michael Farrugia
Marina Hogg
Marquis M. Scicluna Marshall

Remuneration Committee
Marcantonio Stagno d'Alcontres - *Chairman*
Roderick Chalmers
Marquis M. Scicluna Marshall

Nomination Committee *up to 30 April 2021*
Louis A. Farrugia - *Chairman*
Dr Max Ganado
Marquis M. Scicluna Marshall
Marcantonio Stagno d'Alcontres

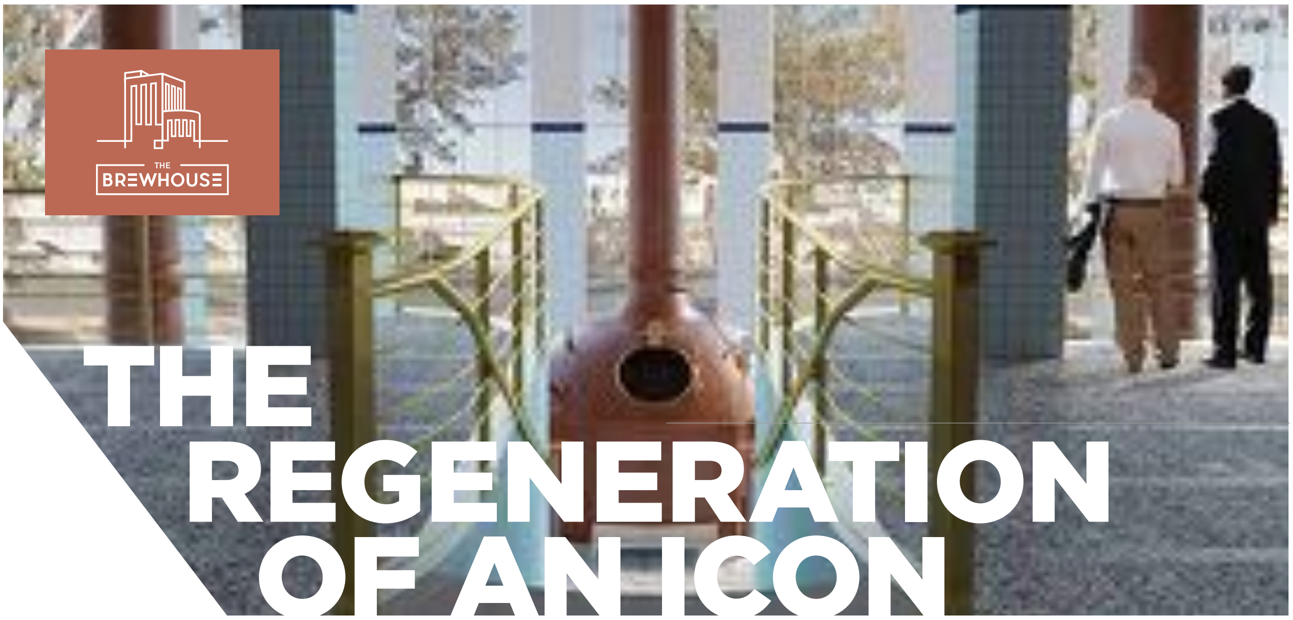
Audit and Risk Committee
Roderick Chalmers - *Chairman*
Marina Hogg
Marquis M. Scicluna Marshall

THE FARSONS FOUNDATION

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

SENIOR MANAGEMENT BOARD

Norman Aquilina - *Chairman*
John Bonello Ghio - *Group Head of Food Business*
Chris Borg Cardona - *Head of Logistics & EcoPure Limited*
Antoinette Caruana - *Company Secretary and Group HR Manager*
Eugenio Caruana - *Chief Operating Officer*
Michael Farrugia - *Executive Director - Operations & Business Development*
Philip Farrugia - *Head of IT and Business Services*
Pierre Stafrace - *General Manager FBIC*
Anne Marie Tabone - *Group Chief Financial Officer*
Susan Weenink Camilleri - *Head of Sales & Marketing*



THE REGENERATION OF AN ICON

After almost a decade of careful planning and preparation, The Brewhouse project is in its final stage of completion with plans to reopen its doors as a vibrant mixed-use destination by the third quarter of 2021.

Comprising over 7,000 square metres of listed industrial space, The Brewhouse will soon become a showcase for the brewery's rich industrial heritage and brands. From a Visitor Experience, which will retell the story of Farsons and brewing on the Island to the very first Cisk themed bar and in-house microbrewery and brewpub serving craft beer brewed on site, The Brewhouse will celebrate the art and technology of brewing within "an epic yet intimate" industrial and contemporary environment.

Designed by world-renowned architect Ian Ritchie from Ian Ritchie Architects, London, The Brewhouse has been an especially complex undertaking given the constraints of working within a listed industrial building that was originally conceived and designed around the process of brewing and manufacturing. One of the first and finest examples of a concrete reinforced building, a number of major structural interventions were enacted to allow light to enter into the building via two large atriums and funnelled light wells that penetrate through three floors of the building. Previously dark and heavily insulated spaces that were specifically designed to keep light out and the building cool have been further transformed by large, geometric shapes that have been cut though each level to add a sense of playfulness and openness to the overall ambience and atmosphere.

With nothing like it on the Island, the design philosophy of The Brewhouse was to renovate, restore and regenerate the building with sensitivity, while retaining the unique aesthetic qualities of both the internal and external envelope of the Art Deco style building. From the beautifully restored brewhall, which houses the large copper vessels to the transformation of the Redler Room, which will see the

original conveyor machine converted into a 20 person fully equipped boardroom, The Brewhouse will offer a mix of inspiring event and exhibition spaces and office floor plates, which will be leased out to third party tenants who will soon make their home in the former malt stores, cellars and converted open fermentation vats.

Forming part of the wider regeneration of the former brewery, The Brewhouse will ultimately not only be a major investment in the future of the Farsons brewery and brands but also a key driver for the Trident Park redevelopment concurrently underway and also scheduled to open its doors in the third quarter of 2021.

Artist's Impressions – The Brewhouse interior

GROUP CHIEF EXECUTIVE'S REVIEW

A YEAR OF UNPRECEDENTED CHALLENGES

The year under review was in many ways unprecedented and can be described as one of the most challenging the Company has faced since its inception ninety-three years ago. Nonetheless, it was a year during which we braced ourselves and managed to move on with our business, even if within a heavily subdued environment.

Globally, the human, economic and social impact of the Covid-19 pandemic has been devastating. Whilst the successful rollout of effective vaccination programmes is serving to offer some hope to many nations, the timing to recovery still remains somewhat uncertain.

Throughout the year, we have been compelled to operate within a highly volatile and disruptive market with all the consequences this brought about on the working environment, our revenue and overall Group performance.

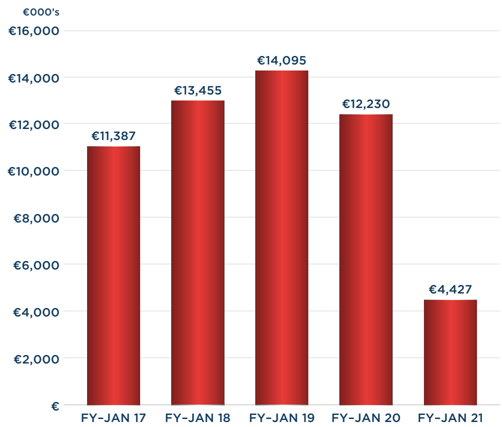
As far as our financial results are concerned, the pandemic has unfortunately interrupted our Group's year-on-year growth in turnover and profitability levels. Nonetheless, there is room for us to be reasonably satisfied when one considers the context of the very challenging and complex environment in which we have had to operate.

The measures implemented at a national level to try to reduce the spread of the virus have impacted, and continue to impact, the demand for our products. The virtual standstill of inbound tourism, the closure of bars and restaurants along with the cancellation of mass events, led to significantly reduced demand for food and beverage products, impacting our core business operations.

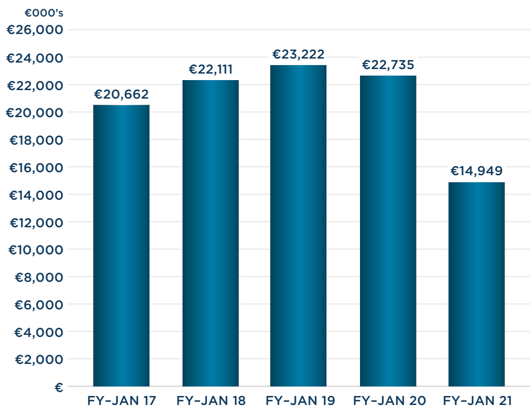
Faced with this scale of disruption and decline in consumption, our Group immediately undertook a number of measures to ensure a safer, yet productive working environment, whilst re-aligning our cost structures to preserve the financial strength we have developed over the decades. A number of planned investments were put on hold. In the case of The Brewhouse, however, we followed through with this strategically important investment.

The Group registered a turnover of €73 million during the year, representing a reduction of 29.4% over the previous year. This drop was partly mitigated by a particularly strong start to the financial year, prior to the onset of the Covid-19

GROUP PROFITABILITY BEFORE TAX



GROUP EBITDA



"THE YEAR UNDER REVIEW WAS ONE OF THE MOST CHALLENGING FOR THE COMPANY SINCE ITS INCEPTION NINETY-THREE YEARS AGO"

pandemic. The reduction in turnover was registered across all business segments, with a more pronounced reduction in our franchised food retailing establishments, where 35% of the previous year's turnover was lost as a result of the temporary closure of restaurants.

Given the suppressed economic environment and resulting decline in demand, we responded by effectively stepping up our level of promotional activity to strengthen our selling efforts. Though necessary, this came at a cost, as it dented our gross margin, which registered a deterioration of 3.6 percentage points declining from 39.2% last year to 35.6% this year. The various cost containment measures, and revisiting of operational efficiency, meant we were able to achieve savings of €3.3 million excluding the wage supplement.

Whilst the 29.4% reduction in turnover is significant, the bottom-line impact was indeed more severe. We are reporting Group profitability of €4.4 million, an overall reduction of 64%. It is also notable that we registered an EBITDA of €14.95 million compared to €22.7 million the previous year.

This, together with the Covid-19 wage supplement received from Government, particularly for the franchised food retailing establishments, have contributed to our Group's ability to retain all our existing workforce whilst also returning an acceptable result – in an uncertain and ever-changing economic environment.

MARKET TRENDS AND DEVELOPMENTS

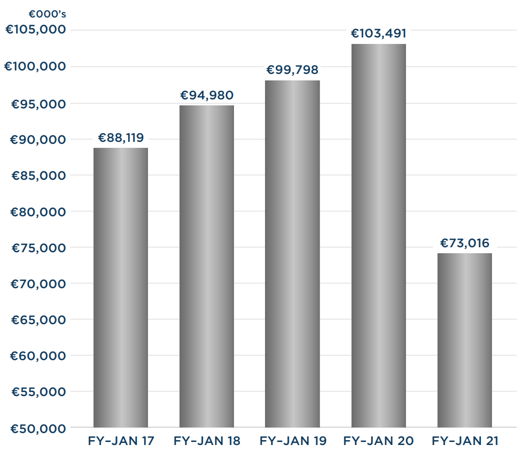
At the time of writing, Malta started lifting some of the Covid-19 restrictive measures as the spread of the contagion continued to steadily decrease, whilst the vaccination programme continued to gain momentum.

In March 2020, when the first coronavirus cases were detected, few would have thought that 15 months later, the world would be in this situation. Unfortunately, millions of lives have been lost across the continents, and millions of people continue to require medical attention and treatment, to such an extent that many health systems were brought to their knees.

The first impact of this pandemic on our business was felt when all bars, pubs, social clubs and nightclubs were ordered to shut down in mid-March 2020, as one of the immediate measures implemented to curb the spread of the virus. This was followed by the closure of all snack bars and restaurants, albeit with some being able to operate on a take-away basis. The impact on our sales was immediate and significant and remains so – unfortunately our bottled and kegged beer sales were the most negatively affected. It is not difficult to see why – beer consumption largely takes place within a social environment and the closure of bars, pubs and clubs brought this to an abrupt halt.

Covid-19 also led to the closure of Malta's airport for over three months between mid-March and early July 2020, the cancellation of all village feasts, sport events, concerts, and other mass events. The cancellation of our own Farsons Beer Festival, the first time in 40 years, was very significant and served to highlight the severity of the situation.

GROUP TURNOVER



KEY GROUP PERFORMANCE HIGHLIGHTS FROM CONTINUING OPERATIONS

ACTUAL VS LAST YEAR VS FIVE YEAR COMPARATIVES

	FY Jan 2021 €'000	Movement vs FY Jan 2020	Movement vs FY Jan 2017
Turnover	€73,016	-29%	-17%
Operating Profit	€5,673	-59%	-56%
Pre-tax Profit	€4,427	-64%	-61%
Post-tax Profit	€3,333	-72%	-73%
EBITDA	€14,949	-34%	-28%
Earnings per Ordinary share	€0.111	-72%	-73%
Return on Average Capital Employed	3.9%	-5.5pp	-4.8pp
Gearing	16.8%	-9.0pp	-5.4 pp

"THE GLOBAL PANDEMIC ALSO BROUGHT ABOUT A SIGNIFICANT SHIFT TOWARDS ECOMMERCE AND ONLINE BUYING AND SELLING ACROSS MANY PRODUCT CATEGORIES"

Notwithstanding the reopening of Malta's International Airport in July 2020, tourism remains weak, with arrivals not reaching more than 24% of 2019 levels. This impacted sales of our flagship brand, Cisk Lager.

On a more positive note, Covid-19 brought with it a surge in supermarket sales. Families are spending more time indoors, and we have witnessed a shift in consumption, and therefore sales, from On Trade (bars etc) to Off Trade (supermarkets etc). The initial weeks of the pandemic saw levels of panic buying by shoppers fearing the unknown, stocking up on provisions. Although such exceptional patterns did level off after a few weeks, the current level of sales in this segment remains higher than normal, explaining the higher levels of sales of our soft drinks and water brands in PET bottles, and beers sales in cans. Worthy of note is the positive performance of Cisk Excel, which is proving to be a favourite with local beer consumers, and Pepsi Cola, Pepsi Max and 7-Up, which all registered good results in retail. We have shifted all promotional and support activities to this area of the market, aiming to maximise the potential for as long as demand exceeds normal levels. Notwithstanding this increase in supermarket traffic and sales, it soon became clear that consumers exercised prudence when shopping and it would be brands and products with a clear value for money proposition that would be the more successful during this period.

Prolonged periods of staying at home brought with it an increase in interest in family mealtimes which presented an opportunity for us to cross promote a number of brands and products across the Group's portfolio. In response to these evolving dynamics, we have adapted our marketing strategies shifting from traditional advertising campaigns and activities to more targeted promotional schemes to engage consumers with our portfolio of brands whilst offering value for money, quality, and excellent products.

The global pandemic also brought about a significant shift towards eCommerce and online buying and selling across many product categories. The Group was well-positioned and focussed to benefit from these seismic shifts in consumer purchasing behaviour and invested the right levels of resources to ensure that our portfolio remained visible on most of the leading eCommerce websites.

At the beginning of the new financial year, we found ourselves in another quasi-lockdown situation. Although the world's attention is now focusing on the rapid roll-out of effective vaccines, the on-going effects of the pandemic on our lifestyles is likely to continue to be felt in the months and years ahead. In such a scenario, it is imperative that we continue to apply our expertise and market knowledge to effectively fine-tune our sales, marketing and promotional programmes and strategies as necessary, with the objective of maximising the potential of our brands and products. Similarly, we need to align our plant and machinery, our human resources and our collective expertise in the various market segments to ensure we remain relevant as a supplier of choice with fairly-priced products for both our trade clients and consumers.

Quality audits remain a priority as we promote a broader food safety culture.


OPERATIONS

As one might expect, the disruption experienced in the market and society in general during the year impacted our own operations in an unprecedented manner, and we implemented a number of mitigating measures. One of the first priorities was to curtail non-essential expenditure and ensure that our resources were deployed as efficiently as possible. We re-examined both operating and capital expenditure allocations, and curtailed, or postponed, a number of planned projects.

Nevertheless, several projects which were at an advanced stage, or were critical to our operations, were implemented.

The old labelling machine on our PET line was completely replaced with a newer model, which gives us significant improvements in terms of label placement accuracy and reduced costs of ownership. Its user interface is also more user friendly, facilitating quicker changeovers.

Early in the year, a new ammonia chiller was fully integrated with our coolant pipe network. Eventually commissioned in August, this enables us to further reduce our energy costs.

Following installation of our new chiller, a new ammonia detection system was also installed, continuing to improve upon our health and safety standards, and we also installed a fire suppression system at our gasoil storage facility.

During the year, we also continued to take a number of preventive maintenance measures. For example, we replaced the main bearing of our PET filler carousel. This fairly delicate and complex assembly was carried out successfully.

In order to adapt our production capability to meet evolving market requirements, such as the increasing interest in so-called adult soft drinks, we modified and upgraded the mixer in our beer packaging hall to be able to accommodate an extended portfolio of mixed products.

LOGISTICS

As with the rest of our operations, our logistics unit adapted appropriately to different market realities, prioritising the safety and well-being of employees and customers alike. Our distribution personnel continued to provide an uninterrupted service, overcoming the challenge of adequate social distancing.

Inevitably, we faced a number of pressures, with fluctuating demand throughout the year, due to the uncertainty in the on-premise sector which was impacted by various closure measures. Clients sought more frequent, smaller and just-in-time delivery services to minimise their inventory levels.

Despite such challenges, we maintained good overall levels of performance, adapting to decreased demand with timely cost-containment measures.

Looking ahead, we continued to invest in our infrastructure, doubling our loading area by an additional 2,000 square metres. This significantly increased order consolidation space and truck loading capacity and improves the flow of products and equipment for greater safety and efficiency.

Farsons continued its fleet modernisation project, with 17 new trucks. Complying with the latest European Emission Standards, these have been designed to cope more effectively with ever-increasing traffic difficulties. They are also equipped with a number of features which reduce manual handling, whilst improving safety and efficiency.

We also invested in an RFID tag system for our returnable beer and soft-drinks kegs, enabling us to have full traceability of these assets throughout their cycle use, improving production planning, maintenance and replacement.

IT DEPARTMENT

Our IT function played a critical role throughout the year, on both the hardware and software front, supporting not only our core operations, but also ongoing major projects such as The Brewhouse.

Various initiatives enabled us to streamline how we work, with enhanced collaboration software, and more value-added business processes in line with industry best practice. As part of this, we implemented secure and flexible 'smart/ remote' working across the Group, with paperless and fully automated administrative work-flows using specialised and certified productivity software integrated within our existing IT systems.

The Group also took greater advantage of the wide functionality of our Enterprise Resource Planning and Warehouse Management System, in line with operational objectives and cost optimisation. A major upgrade was also successfully implemented on our analytics and business intelligence system, improving internal and market-related decision-making across user levels.

There was continued investment in upgrading various cybersecurity layers across our corporate networks and systems, and comprehensive business continuity and redundancy measures were implemented.

OUR PEOPLE

Faced with truly unprecedented circumstances, our workforce more than rose to the challenge in a collaborative manner. Following the onset of the pandemic, rapid and focused actions were taken to maintain business continuity. This remains a priority and will continue to be monitored for the months to come. Our Group has also sought to ensure that our employees remain committed, healthy, and motivated.

INITIATIVES AND MITIGATING MEASURES

As soon as the scale and extent of the pandemic became clear, our Board, having carefully evaluated various scenarios, implemented a number of measures. Firstly, employees were reassured that, despite a significant loss of business, no redundancies would be made. Stringent health and safety measures were introduced to minimise spreading the virus internally. Besides the introduction of sanitization, wearing masks/visors and safe distancing measures, as well as more health education, set routes for entry and exit were defined, 'bubbles' were created and remote working for defined periods was set up. Additionally, to help employees better cope with the uncertainty and anxiety which the pandemic inevitable caused, support was provided through the Employee Assistance Program facilitated by the Richmond Foundation. Numerous well-being initiatives were

carried out throughout the year and our annual recognition initiatives, including our Cause for Applause programme, our Suggestion Scheme Awards, and Long Service and Retirement Awards all continued, albeit with a difference.

The leaner period also enabled the Group to undertake a series of training and development initiatives, including various online programmes to enable employees to upskill and multiskill in preparation for better times. In particular, the highly anticipated annual meeting for Farsons Group Management which was held online featuring special guest Mr Martin Scicluna, Chairman of J Sainsbury's plc and RSA Insurance plc.

Training hours organised by the HR department totalled 8,755 for nearly 1,455 participants across all categories, with the aim of continuously improving employee performance as well as exploring how working processes and methods can continue to be enhanced.

It is worthy of note that Group employees, fully aware of the severity of the situation, understood the necessity of adapting to four-day week for a twenty-two-week period, with most of the off days taken as vacation leave or unpaid. Additionally, the Group curtailed the replacement and recruitment of new people and banned overtime except in truly exceptional cases.

Throughout the year, we ensured an open and frank line of communication with all employees and union representatives. Our HR team shifted into the 'new normal', implementing effective practices and ensuring safe workplaces. A decision was also taken to invest in a Human Resources Information System, integrated with a new payroll, time and attendance and rostering system, whose benefits will extend beyond the HR department to all line management, employees, and executives. The vision is for a more strategic HR function, with greater employee and manager engagement supported by enabling technology.

A number of entities within the Group received the HR Quality Mark awarded by the Foundation for Human Resources Development (FHRD): Simonds Farsons Cisk plc, Ecopure Limited, Quintano Foods Limited and Farsons Beverage Imports Company Limited. This award recognizes effective HR practices, the professionalism, competence, and contribution of the HR function and organisations which place people at the centre of their business. In February 2021, Simonds Farsons Cisk plc was also awarded the Training at Work Award in the Malta Vocation Education and Training Awards, an award that highlights the value of professional and practical on-the-job learning practices for employees and the importance of life-long learning.

HR QUALITY MARK
FOUNDATION FOR HUMAN RESOURCES DEVELOPMENT

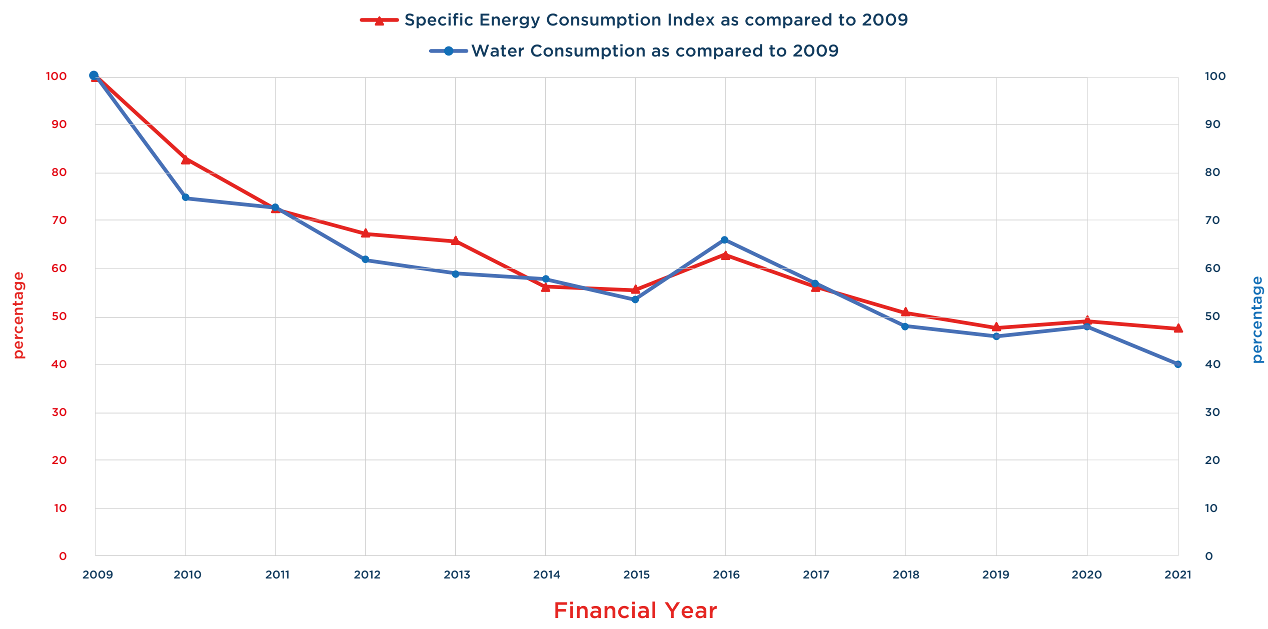
EQUALITY CERTIFIED
NCPE

"OUR HR TEAM SHIFTED INTO THE 'NEW NORMAL', IMPLEMENTING EFFECTIVE PRACTICES AND ENSURING SAFE WORKPLACES"

"WE RENEWED, OR EVEN STRENGTHENED, OUR EFFORTS TO MAINTAIN A STRONG ENVIRONMENTAL AWARENESS"

OUR CONTINUED COMMITMENT TOWARDS A BETTER ENVIRONMENT

From the outset, we were determined that the momentum we were achieving over the past years to enhance our environmental credentials would not come to an abrupt halt because of the pandemic. Rather, with unwavering commitment, we monitored unfolding events and their impact on our operations; we renewed, or even strengthened, our efforts to maintain a strong environmental awareness, backed by best practice waste management and processes at all levels, despite challenging circumstances.



The reduction of our energy and water consumption remains an area of focus, with an overall declining trend over the past 12 years.

Much of our beer continues to be supplied in re-usable bottles.

CIRCULAR ECONOMY

Focus over the past year has been more centred around circular economy initiatives, aiming to minimise waste destined to the landfill. We remained fully engaged on changing mindsets in our approach to raw material use, with more efficient manufacturing and packaging processes that primarily limit wastage and streamline resource usage. Providing longevity of resources before termination is ideal, while we are also identifying opportunities where termination is not the end but the beginning of other recuperation, recycling, repurposing processes. Such is the case for steel/can recycling, carton interlayer sheets and waste oils.

Another function fully in line with the principle of a circular economy is our refillable and returnable glass bottle range and kegs. We remain focused on ensuring the maximum return on such processes whilst investing further in line with evolving market trends and needs.

The circular economy is a primary consideration in our investment decisions. We are looking into installing a new Co2 recovery plant, which would be able to ‘capture’ all the Co2 gas produced from the beer fermentation process. This Co2 would then be reused in the production of beer, carbonation of soft drinks, and also in the filling of Co2 cylinders used in the beverage dispense machines.

BEVERAGE CONTAINER REFUND SCHEME (BCRS)

Preparations for the introduction of the Beverage Container Refund Scheme (BCRS), expected during the first half of 2022, are at an advanced stage.

The Farsons Group is a founding member of the Malta Beverage Producers Association, which is one of the three associations owning BCRS Malta Limited, which will be responsible for the operation of the deposit scheme, managed on a not-for-profit, lowest cost basis. Operating as a private venture, it will adopt full corporate governance and transparency.

The Farsons Group is determined to ensure the long-term success and viability of BCRS from its outset; we consider this to be a key environmental initiative that will improve national waste recycling performance, in line with the European Commission’s long-term recycling targets.

The Beverage Container Refund Scheme will ensure a structured and measurable drive for the collection and recycling of beverage containers.

WATER RESOURCE MANAGEMENT

- Reduced sales volumes translated into reduced production volumes and this in turn, resulted in a reduction in water consumption.
- A decision was made to operate the new steam boilers using double RO technology sourcing town water, rather than rain water.
- Sourcing of ground water continued to decrease significantly in a trend followed over the past years. Last year our reliance on ground, captured and recycled, along with reused, water sources stood at 7% of our total output.

CLEANER AND MORE EFFICIENT ENERGY USE

- The investment made in new boilers last year and the use of light fuel oil allowed us to sustain our energy consumption and conservation policy.
- Management was mindful of the importance of cleaner and more efficient energy use despite an erratic market characterised with very unpredictable demand patterns.
- The yield our PV panels generated during 2020/21 was 437 MWh (470 MWh for 2019/20). Works on an extension of the PV panels installation should commence over the next few months. This should yield approximately 1031 MWh per year, in addition to those produced by our current PV installation.

TRANSPORT & LOGISTICS

- Our target was that 80% of our commercial vehicles should be upgraded to 'Euro 6' standard by the second quarter of 2020 – whilst this milestone had to be postponed, this remains a priority.
- Delivery truck re-routing improvements continued to reduce our distribution drive times. There were also other reductions, as a result of restrictions introduced to combat the pandemic, which led to significantly less traffic on Maltese roads.
- Fuel consumption volumes for deliveries decreased by 12% and our carbon footprint reduced appreciably during the year, due to a reduced number of deliveries and drive times along with planning improvements in our distribution.
- Technological developments are being closely monitored with a view to rendering our operations more environment friendly and efficient.

ENVIRONMENTAL PERMIT

The environmental permit required in terms of the Environment Protection Act was renewed during the year. The Company met all the demanding criteria for renewal and the operation of our production facilities continue to enjoy official sanction.

We remain committed to making the necessary investments, and will aim for more efficient and sustainable operations – not only to meet the increasingly onerous criteria set by the Environment and Resources Authority, but also out of a strong sense of awareness and responsibility which goes beyond the notion of legal compliance.

MANAGING OUR 'WASTE STREAMS'

We have retained our membership of GreenPak as our authorised waste recovery scheme who fulfil our obligation to recover the relevant amount of packaging waste we place on the market.

Furthermore, we have been striving with more effort to streamline relevant collections over the last year. For the year under review we have further sustained the collection of cardboard/paper and other packaging materials destined to recycling. Moreover, thanks to investment in onsite crushing equipment, we have grossly increased the collection and recycling of glass that would have previously been destined to landfill.

Collection of any Waste Electrical and Electronic Equipment (WEEE) is rigorously taken up within the Group which forms part of the WEEE compliance agreement. For the year under review we can report a continued drive in ensuring proper recycling for a variety of items falling under the WEEE scheme.

During the past year we have also continued with our determined drive to define, review and ameliorate waste management related SOPs and related workflows in order to attain our ambitious internal targets of improving recycling measures and minimising "black bag" waste.

OUR CONTINUED COMMITMENT

The quest to achieve higher environmental standards is not solely a management objective but has also been embraced by our employees across the Group. The level of engagement and the prioritisation of environmental considerations as part of the decision-making processes within the Group should see our operations gaining higher efficiencies going forward - be it in waste management, water usage and conservation and energy usage.

Our commitment towards a better environment is, in reality, an endless journey.

"THE QUEST TO ACHIEVE HIGHER ENVIRONMENTAL STANDARDS IS NOT SOLELY A MANAGEMENT OBJECTIVE BUT HAS ALSO BEEN EMBRACED BY OUR EMPLOYEES ACROSS THE GROUP."

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

THE BEER MARKET

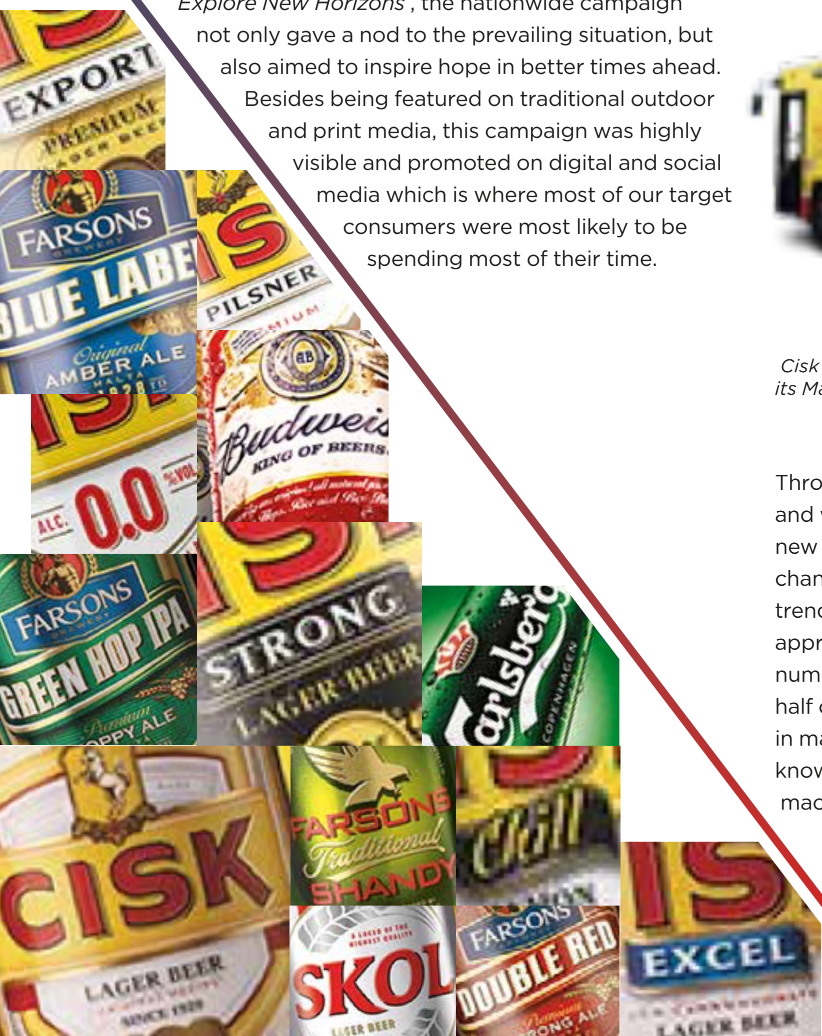
As stated earlier in our Review, beer consumption proved more sensitive than other non-alcoholic beverages in our portfolio to the impact of Covid-19 and all the related measures introduced by authorities to curb the spread. The primary reasons for this were of course the closure of bars and pubs and the cancellation of mass events, including village feasts, during which one would normally expect relatively high levels of beer consumption. The sharp contraction in tourist arrivals was another factor which affected beer consumption more than other types of beverages. In view of this scenario, brand owners and distributors alike realigned their advertising and promotion campaigns to ensure that all messages remained relevant and promoted hope, as well as responsible behaviour, during the unprecedented pandemic weeks and months.

"BRAND OWNERS AND DISTRIBUTORS ALIKE REALIGNED THEIR ADVERTISING AND PROMOTION CAMPAIGNS TO ENSURE THAT ALL MESSAGES REMAINED RELEVANT AND PROMOTED HOPE"

We launched a strong campaign for our flagship **Cisk** portfolio. Focusing on eye-catching product visuals and strong messaging such as: *'This will Pass. Until Then Share Something Good'*; *'Cheers to New Stories Worth Sharing'*; *'Explore New Horizons'*, the nationwide campaign not only gave a nod to the prevailing situation, but also aimed to inspire hope in better times ahead. Besides being featured on traditional outdoor and print media, this campaign was highly visible and promoted on digital and social media which is where most of our target consumers were most likely to be spending most of their time.

Cisk Lager - driving home its Malta's Finest message

Throughout the Group, innovation is a key pillar for growth, and we have always been at the forefront of innovation with new product and packaging developments. Identifying changes in consumers' choices, and anticipating future trends, are at the heart of our innovative marketing approach. Testament to this is the recent launch of a number of new products on the local market in the first half of 2021 – all the result of years of dedicated investment in market research, product development, employee know-how and expertise, and state-of-the-art plant and machinery.




START
WITH A
CHEERS
CISK
LAGER BEER
CISK
LAGER BEER
SINCE 1929
CISK
#StartSomething
drinkawaremalta.com
for the facts

In April 2021, we launched a new addition to our extensive Cisk portfolio: **Cisk 0.0** – an alcohol-free lager for consumers who wish to limit their alcohol consumption whilst enjoying a great-tasting beer. This launch follows months of detailed work on product development by our talented and dedicated team of brewers, and also extensive research which clearly indicated that the alcohol-free beer market segment is growing rapidly as consumers increasingly look to make more positive lifestyle choices without compromising on taste. With a distinct and well-balanced flavour, and the pleasant bitter notes normally associated with Cisk Lager, our latest offering is available in 25 centilitre returnable bottles and 33 centilitre cans – thereby offering a new option for consumers both on-trade and also at home.

Farsons Green Hop IPA was also launched during April 2021. A proud addition to Farsons Classic Brews, Green Hop IPA is an all-malt India Pale Ale with an alcoholic content of 5.7% by volume. Thanks to a process called 'Dry Hopping', this new brew is an innovative combination of the basic hoppy notes one expects in an IPA and fruity characteristics which complement a pleasant malt character.

Cisk 0.0 - a great-tasting alcohol-free lager you can drink any time of day!


TRUE
HOPPINESS
IN A
GLASS
ALC
5.7%
VOL
FARSONS
FARSONS
GREEN HOP IPA
HOPPY ALE
FARSONS
Brewed with
PASSION
Crafted with
PRIDE
drinkawaremalta.com
for the facts
FARSONSCLASSICBREWS.COM

Naturally, we also focused on all the other high-profile brands in our extensive beer portfolio, including international brands **Carlsberg** and **Budweiser**, together with local favourites **Blue Label and Farsons Double Red** from the Classic Brews portfolio. We are doubling our efforts to ensure optimal availability and visibility of our beers in all leading supermarkets and retail outlets. Moreover, adapting to new market realities, we supported our brands through on-going promotions and offers which presented consumers with value and quality, as consumption patterns shifted from bars and pubs to home environments.

"WE DOUBLED OUR EFFORTS TO ENSURE OPTIMAL AVAILABILITY AND VISIBILITY OF OUR BEERS IN ALL LEADING SUPERMARKETS AND RETAIL OUTLETS"

SOFT DRINKS AND WATER

The closure of the on-trade market sector, and the cancellation of mass-events, also had a negative impact on the sale and consumption of the soft drink brands in our portfolio, though to a lesser extent than on our beers. Here again, all advertising and communication campaigns which we had planned to roll out during the year were re-evaluated and modified to take into consideration the adjusted lifestyles and realities of consumers and communities in Malta. Whilst wanting to pass on messages of hope and solidarity, one had to ensure that all messages promoted responsible behaviour which was required from one and all during the peak of the pandemic.

'Make it a Kinnie Moment' was the main message of our advertising campaign launched for **Kinnie**. Largely implemented on social and digital media, it also featured nationwide on large format outdoor advertising such as billboards and bus shelters. This campaign played on and highlighted the strong emotional bond that local consumers continue to have with this much-loved brand - Malta's own favourite soft drink and The Mediterranean Classic Since 1952.

A Mediterranean classic on the move on Malta's roads.

Overall, all brands within the soft-drinks portfolio benefited from the surge in 'at home' consumption. As ever, we continued to keep close to the market and keep track of changes; certainly, the year brought with it more focus on digital and social media, a shift to value formats, as well as a focus on health, affordability, and sustainability by large cohorts of consumers. In view of all this, we remained nimble and adaptive, shifted our campaigns and promotional programmes to ensure on-going relevance and appeal to shoppers and consumers alike.

Earlier in 2021, we launched another new innovative product – **Kinnie Spritz** – a refreshing and lightly alcoholic aperitivo containing 4% alcohol by volume ready to be enjoyed anywhere responsibly. This builds on Kinnie's inherent mixability and versatility and seeks to tap into the 'Ready to Drink' segment and global spritz phenomenon.

The potential for this exciting addition to our range stems from two considerations: Kinnie is firmly established as an extremely versatile mixer, and is widely used in cocktails and aperitivos by bartenders across Malta and Gozo; spritz is a well-loved classic cocktail enjoying huge popularity across the world. This innovative and contemporary product follows months of research and development; bold in nature, it is also a nod to the unique heritage of the Kinnie brand. Kinnie Spritz is available in 25 centilitre one-way bottles and can be found in all main retail outlets across the Maltese Islands.


THE CLASSIC
GOES
Aperitivo
Kinnie
SPRITZ
EN: A KINNIE INFUSED ALCOHOLIC APERITIVO MADE WITH ITALIAN WINE AND BITTER HERBAL LIQUEUR.
DE: EIN MIT KINNIE GEMISCHTER, ALKOHOLISCHER APERITIF AUS ITALIENISCHEM WEIßWEIN UND KRÄUTERLIKÖR.
FR: APÉRITIF ALCOOLISÉ RÉALISÉ À PARTIR DE KINNIE, DE VIN ITALIEN ET DE LIQUEUR AMÈRE À BASE DE PLANTES.
ALC. 4.0% VOL.
APERITIV-APERITIVO
4x250ml℮
The refreshingly light
Alc. 4.0% vol. aperitivo
drinkawaremalta.com
for the facts

To varying degrees, the onset of Covid-19 affected sales of the **Pepsi Cola** brands in our portfolio, namely **Pepsi-Cola**, **7-Up** and **Mirinda**, including the sugar-free variants Pepsi Max and 7-Up Free. With colas being the 'go to' soft drink for a significantly large proportion of the younger population, the closure of the bars and pubs resulted in a shift of consumption to indoors, and this gave us an opportunity to focus on supermarket sales which in turn offset the drop of consumption outdoors. The launch at the peak of the pandemic of **Pepsi Lime**, a sugar-free lime-flavoured variant of the much-loved Pepsi Max, was a bold move offering the growing consumer base of Pepsi Max an opportunity to try out an exciting variant which has proved to be very popular in other European markets. **7-Up**, another highly popular market favourite, posted a very strong performance during the year under review, capitalising on the general shift to home consumption noted earlier.

One particular trend which has accelerated during the past year was the ongoing shift to so-called 'better for you' sugar-free variants of all the soft drinks in our portfolio. This is in line with an overall focus on health and wellness across the board, not just in beverage consumption.

INTERNATIONALISATION

As one would expect, the year also presented a number of challenges for our international business. After numerous years of steady growth and expansion into new markets and regions, Covid-19 had a pronounced effect on those markets, where we have a predominantly on-premise presence and exposure. This was especially the case in the Italian mainland and Sicilian region where our sales and distribution networks are exclusively focused on the sale of kegged and bottled beer to bars, restaurants, and clubs, all severely impacted. Achieving just over a third of expected volumes, considerable efforts were directed to managing stocks and supporting our agents and distributors during this difficult time, in order to maintain a moderate level of business continuity. The other key area most affected was the **Duty-Free** sector, and we registered lower sales volumes in both ship chandling and air related travel sectors.

On the upside, despite the significant uncertainty of both Brexit and Covid-19, the **UK** market experienced some growth during 2020 as our primary trade partner has a good online retail platform and take-home presence. Following our appointment of a dedicated and experienced sales agent in early 2020, we are forging stronger commercial ties with our distribution partners, while new opportunities within both the take-home and on-premise segment are simultaneously being pursued and evaluated.

"AFTER NUMEROUS YEARS OF STEADY GROWTH AND EXPANSION INTO NEW MARKETS AND REGIONS, COVID-19 HAD A PRONOUNCED EFFECT ON THOSE MARKETS"

Another key market at the centre of our European business operation remains the Polish market, where our brand presence and in-market sales during 2020 remained almost at par with the previous year. The efforts within this market are having a residual effect on neighbouring markets, where embryonic sales in **Latvia** have been achieved and new interest from markets like **Lithuania** is being registered. More direct investment is envisaged to bolster visibility of our Kinnie brand, which has shown sustained traction within this region, along with the introduction of Kinnie Spritz, which is expected to bolster brand interest and sales momentum.

The pandemic's impact on several markets outside Europe was equally mixed, with some markets experiencing growth in terms of both sales and profitability. Sales to the **Middle East** continued to account for a significant portion of our beer export volume. While there was a manageable slowdown in some markets such as **Bahrain**, this was counter-balanced in part by entry into new markets like **Oman**. As the current market disruption gradually recedes, Middle East markets are expected to generate continued growth, complemented by the introduction of new products ranging from Cisk branded high-strength beer to non-alcoholic beer.

KINNIE POLAND

KINNIE BENELUX

KINNIE LATVIA

FARSONS BEVERAGE IMPORTS CO. (FBIC)

This has been a very challenging year for FBIC, and the consequences of the Covid-19 pandemic have led to significant decline in both sales and profitability of our subsidiary compared to previous years.

Overall, our portfolio of wines, spirits and premium beers are skewed towards the on-trade sector – bars, hotels, restaurants, and clubs. With incoming tourism to Malta severely reduced, lockdown restrictions and social distancing measures, sales to this client segment were heavily impacted. The banning of mass events was an important step which government had to implement in the interest of public health and safety; however, this led to us foregoing the sales generated in major parties and concerts which we had regularly sponsored in the past.

With the on-trade sector severely restricted, our focus moved to the retail sector, where we already had a good presence. As people necessarily spent more time at home, they required a wider assortment of beverages in outlets closer to their residence. We widened our sales and distribution to smaller retail shops and increased the range of products available in supermarkets, providing consumers with more options. Promotions and activations in retail outlets were strengthened, with a full programme running across different brands throughout the whole year. Merchandising efforts were also intensified to ensure that our brands were presented on shelf in the best possible way. It is encouraging that our total sales to the retail sector increased compared to 2019, though not enough to offset the marked shortfall in sales to the on-trade sector.

Although 2020 did not provide the best environment for new products, we did add some brand extensions to our portfolio to boost sales. We introduced the latest flavour of **Absolut** vodka – Absolut Grapefruit, which nicely followed the previous citrus flavour, Absolut Lime.

We also had some development in the water category with the introduction of **Perrier & Juice** and **San Benedetto**. Perrier & Juice is the perfect blend of the renowned sparkling water and real fruit juice; offered in three flavours, it provides consumers with a tasty and healthy treat. San Benedetto is one of the most popular water brands in Italy and we have been entrusted with its distribution in both the on-trade as well as the retail sectors. Apart from still and sparkling waters, we also started distributing the San Benedetto range of ice teas, which come in a wide selection of flavours.

Hophouse 13 was the latest addition to our beer portfolio. Hophouse 13 is a double-hopped lager brewed at the legendary St James's Gate brewery in Dublin using the best hops and barley and the unique Guinness yeast; we launched this brand in bottles as well as on draught in only a limited selection of bars due to the uncertainty on the market.

Despite the difficult environment, consumer reaction to these new products has been positive and encourages us to look forward to further growth once the situation in the country returns to some level of normality.

In 2020, we were very proud to extend our representation of Pernod Ricard, who entrusted us with two highly-respected gin brands – **Monkey 47**, a unique batch distilled and handcrafted Schwarzwald Dry Gin, and **Malfy**, an Italian gin brand world-renowned for its excellent range of flavours.

We also continued to strengthen our standing as reputable wine merchants by being appointed exclusive agents for some incredible highly-ranked wine houses, including **Domaine d'Eugenie**, **Chateau Grillet**, **Chateau de St Cosme**, **Isole e Olena**, **Il Palagio**, **Proprieta Sperino** and **Bodegas Vetus**. We also organised a number of on-line tastings with winemakers and representatives from wineries across the globe in order to keep promoting our wine portfolio even through the lockdown period.

"IT IS ENCOURAGING THAT OUR TOTAL SALES TO THE RETAIL SECTOR INCREASED COMPARED TO 2019, THOUGH NOT ENOUGH TO OFFSET THE MARKED SHORTFALL IN SALES TO THE ON-TRADE SECTOR."

FARSONSDIRECT

FARSONSDIRECT

Faronsdirect remains an integral part of our sales reach with ongoing investments to build better in-store and online sales. Business activity at Farsonsdirect was also affected by the pandemic. Sales to private customers increased as the wide range of products on the shelves at the outlet attracted more consumers looking for beverages to enjoy at home. On the other hand, our business-to-business trade dropped since on-trade outlets were closed or suffered reduced sales.

Strengthening our online presence remains a priority as customers increased their online shopping, opting to have goods delivered directly to their home. Our digital marketing on social media helped to direct people to the e-commerce portal to increase sales.

"FARSONSDIRECT REMAINS AN INTEGRAL PART OF OUR SALES REACH WITH ONGOING INVESTMENTS TO BUILD BETTER IN-STORE AND ONLINE SALES."

FARSONS GROUP
EcoPure
BEVERAGE SERVICES

ECOPURE

Following years of consecutive growth, Ecopure was negatively impacted by the pandemic, with turnover and profitability re-aligning back to 2018 levels.

The negative impact on tourist arrivals, and the subsequent mandatory closure of bars, restaurants, and non-essential outlets, resulted in a significant contraction of demand. Sales to the office business segment were also affected negatively, as employees from many businesses worked remotely for extended periods of time.

Ecopure management implemented a number of cost containment measures, whilst ensuring that an uninterrupted and high level of service was maintained. As with our other subsidiaries, Ecopure also took all the necessary precautions to safeguard the well-being of both employees and customers.

Indeed, our water vendors played a crucial role in providing uninterrupted water supplies during a time when many households were more reliant on home delivery services.

Moreover, our delivery service was also extended to include soft drinks and beers. This was very well received by clients and generated additional revenues. Although paper-less and contactless payments facilities had been integrated in our delivery system well before the pandemic, we will continue to invest further in digital technologies to continue to adapt to evolving commercial needs and enhance the customer experience.

> "MANAGEMENT IMPLEMENTED A NUMBER OF COST CONTAINMENT MEASURES, WHILST ENSURING THAT AN UNINTERRUPTED AND HIGH LEVEL OF SERVICE WAS MAINTAINED"

Several marketing campaigns, targeting different customer segments, were introduced to address the shortfall in demand, and this enabled us to increase the number of new clients compared to previous years. Going forward, we intend to continue with our drive to widen our client base, recover sales, contain costs and improve our performance.

FARSONS GROUP
Quintano
FOOD IMPORTERS

QUINTANO FOODS

Notwithstanding a very challenging year, our Quintano Foods subsidiary proved relatively strong and resilient.

Retail sales experienced growth, as people spent more time at home due to on-going restrictions. This meant that more supplies were bought for home consumption, boosting sales of supermarkets and retail outlets. There was also a notable change in consumer consumption and buying patterns with significant increases in on-line purchases.

There were times when this increase was curtailed because of stock shortages and delays caused by increased demand and consumption in larger European markets experiencing the same phenomenon.

The overall economic slowdown had a direct impact on consumers' disposable income. This prompted consumers to shift towards economy pack formats and cost-saving

"RETAIL SALES EXPERIENCED GROWTH, AS PEOPLE SPENT MORE TIME AT HOME DUE TO ON-GOING RESTRICTIONS."




Given such a complex scenario, it is understandable that our overall sales and profitability levels for the year declined.

Undeterred, we maintain a positive outlook for the year ahead and have been working on further strengthening our portfolio. In fact, we have been very active on business development and range extension and are proud to announce that we have just been appointed representatives of **Pernigotti Chocolates**, **De Cecco Pasta** and **Kraft Heinz Foodservice**.

special offers. Adapting to this new reality, we focused most of our marketing investment in below-the-line activities such as special offers for consumers and economy packs, whilst increasing our investment in digital marketing.

As a pandemic lifestyle set in, consumers sought ways to boost their immune system, and there was increased demand for snacking as people spent more time at home. Some products in our portfolio, such as **Danone Actimel** together with other snacking brands such as **Walkers**, **Calvé** and **Popz** were very relevant to this new reality and so performed particularly well.

Unfortunately, such growth was countered by a severe decline in our sales to the hotel, restaurants and catering sector and to our own Food Chain franchise outlets. These sectors account for a good percentage of this subsidiary's turnover. Restrictions on travel and catering establishments, and a substantial drop in tourism had a negative impact on sales for brands catering for these market segments.

FARSONS GROUP
Food Chain
RESTAURANTS

FOOD CHAIN

The past year has been a roller coaster ride for the entire hospitality sector, including our own Food Chain business. Starting the year with extremely strong sales and double-digit growth in all the brands, we experienced a drastic drop in sales in early March soon after the initial outbreak of the pandemic across much of Europe.

Following the announcement of the official guidelines which came into effect on 18 March 2020, we closed all our dine-in lobbies and could only offer take-away and delivery services. A decision was taken to shut down five of our restaurants, namely Pizza Hut Sliema and Valletta, Burger King at Malta International Airport (MIA) and Valletta as well as KFC at MIA. These restaurants remained closed for fourteen weeks, subsequently reopening on 22 June.

Although the restaurants were allowed to resume dine-in services, capacity was limited as we had to observe social distancing, placing tables at least three meters apart, thereby drastically reducing the number of available covers. These restrictions together with reduced tourist numbers led to a dramatic drop in guests frequenting our restaurants. Obviously, this had a negative impact on sales across most of our restaurants.

During this time, measures were taken to ensure the well-being of both our staff as well as our guests, with the introduction of stricter protocols which were designed together with our franchisors whilst adhering with local health guidelines.

> "WE ALSO INCREASED OUR EFFORTS ON IMPROVING OUR DELIVERY SERVICE, A SALES CHANNEL WHICH HAS TODAY BECOME A VERY IMPORTANT PART OF THE BUSINESS"

We also increased our efforts on improving our delivery service, a sales channel which has today become a very important part of the business. Substantial investment has been made on the deliveries system; we ordered a new delivery fleet of motor bikes and started testing new IT technologies to offer a better experience to our clients. This new system will help us prepare the food just in time before

Our latest opening – Burger King Drive Thru in Paola

a delivery, offering a fresher product whilst also giving the client full tracking of the delivery process of their order.

We have also partnered up with two aggregators, namely Wolt and Bolt. This has complemented our delivery system, enabling us to offer deliveries of the three brands to households within a radius from our restaurants.

Given the change in consumer habits brought about by the pandemic, we have also reviewed our marketing strategies and adjusted the media we use to reach consumers who

STAYING FOCUSED, MOTIVATED AND HOPEFUL

As the year draws to a close – and one reflects on what we have been through and what we have collectively achieved – our true colours, and all that Farsons stands for, are there for all to see.

There can be little doubt that our Group is driven not only by the requirement to deliver financial results which are as robust as possible, but also by the realisation that we have a responsibility to ensure the wellbeing and safety not only of our own workforce, but of all those we come into contact with, in one way or another too. At the same time, in spite of all the difficulties and uncertainty, we were steadfast in maintaining a strong commitment to support a more sustainable, and more circular economy.

Before concluding, a particular word of appreciation is due to our management and workforce as they not only understood, but also fully supported and collaboratively responded to the measures taken to mitigate the impact of this pandemic. Throughout the year, and faced with significant hurdles, our management team has shown unwavering resilience and strength of character, leading in an exemplary manner. As for the workforce, their team spirit has been extraordinary in spite of all the difficulties they had to endure, both from an individual and from a collective point of view. Within this context, we have managed to deal with unprecedented times, and for this I remain truly grateful.

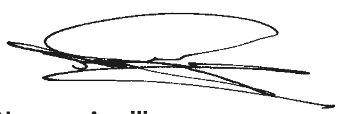
Of course, gratitude is also due to our Chairman, Louis A. Farrugia, along with all the Board of Directors. Despite significant pressures and complex considerations, our Board has consistently provided a clear sense of purpose and support during very challenging and unusual times – this has steered us in the right direction and helped our Group to weather the storm.

Looking ahead at a new financial year, it is encouraging that we are beginning to see some light at the end of the tunnel, even if an air of uncertainty is likely to persist for some time. Whenever the restrictive measures are lifted, and whatever the pace and return to normality – albeit somewhat disrupted and different from pre-Covid times – we need to remain prepared and well geared to respond and reach out to the market.

In such a scenario, retaining a sustainably competitive business model, along with respecting the expectations of our shareholders to continue to build upon the financial strength of the Group remains our primary focus and commitment.

Before signing off on my eleventh year as Group Chief Executive, one must acknowledge that the financial results presented here are in stark contrast with the year-on-year record growth in turnover and profitability registered in previous years. However, equally unprecedented were the set of circumstances we have had to face up to during the past year.

On the premise that every cloud has its silver lining, it is our view that bad days should only serve to prepare us for better days. Geared up with this mindset, following a very difficult year, the Farsons Group will ensure that we continue to live up to the challenges of today, and all that the future may hold. Moving forward, we therefore need to stay focused, motivated and hopeful – not only in terms of overcoming this pandemic and bouncing back to regain lost ground, but also, once the market fully opens up, to once again pursue our long-term growth strategy.



Norman Aquilina
Group Chief Executive
26 May 2021

SIMONDS FARSONS CISK PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2021

DIRECTORS' REPORT

The Board of Directors present their annual report and the audited consolidated financial statements for the year ended 31 January 2021.

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, and the operation of franchised food retailing establishments.

Review of the business

TRADING PERFORMANCE

The Board of Directors hereby announce the Farsons Group's financial results for the year ended 31 January 2021 (FY 2021).

After a good start to FY 2021 with turnover in February and early March 2020 exceeding budget and expectations, the business had to face up to the totally unexpected challenges that came with the outbreak and global spread of the Coronavirus. On 11 March 2020, the World Health Organisation (WHO) declared Covid-19 outbreak to be a global pandemic. Around the world, many governments introduced unprecedented measures in efforts to contain and control the spread of the outbreak. In Malta, the authorities introduced measures that included the imposition of quarantine, self-isolation and travel restrictions, the closure of all academic/learning and care institutions, as well as ordering the shuttering of all bars, restaurants, clubs and gyms. Non-essential shops were also instructed to close and as of 21 March 2020 Malta International Airport was closed for all but a limited number of flights. Social distancing and stay-at home regulations were enacted.

The impact of the Covid-19 pandemic and the regulations that followed were very quickly reflected in acute business challenges being faced across the Group. Turnover fell precipitously in the period immediately following the closure of the airport, the imposition of severe restrictions on the wider hospitality sector and the cancellation of all mass events. April 2020, the first full month impacted by Covid-19, saw Group turnover fall by 55%.

The opening of the airport in July 2020 and early mitigating measures taken by management brought a degree of respite, but the surge in infection rates that followed August saw a renewed downturn in tourist arrivals, and the reintroduction of travel constraints (both in Malta and elsewhere) and varying forms of lockdown, social distancing and related measures. Overall, calendar 2020 saw total tourist arrivals in Malta of just 659,000 compared with 2.77 million in 2019 – a decline of 76%.

In the face of the precipitous economic downturn and the threat of massive unemployment, the Government of Malta (in line with other administrations across Europe and elsewhere) responded with co-ordinated stimulus measures, business support initiatives and employment protection programmes. In Malta, the government's wage supplement scheme was especially effective in protecting jobs and employment numbers, particularly in the badly hit hospitality sector. Within the Farsons Group, our employees involved in the operation of the Burger King, KFC and Pizza Hut franchises were the more significant beneficiaries of the scheme given the extended periods of time over which these outlets were ordered to close. The beverage sector, together with our food importation companies, also benefitted from the scheme which contributed to the Group being able to avoid any redundancies and retain a full workforce over what has been an exceedingly challenging year. To assist business cash flows, government also announced measures for the deferral of VAT, tax and social security payments, and given the exceptional nature of the crisis, also encouraged banks to grant temporary moratoria on interest and capital repayments on personal mortgages and business loans.

Immediately the Government measures were announced, the Board and Management moved rapidly to implement certain operational and cost efficiency initiatives that were aimed at mitigating the impact of the sudden and unexpected crisis on the businesses of the Group. These actions included strict cost containment, the curbing of certain discretionary and marketing spend, and more flexible production runs. A number of steps were also implemented in the human resource area, including elevated health and safety protocols, remote working, rescheduled work and shift patterns, anticipated leave, and, in agreement with the Unions, the introduction of a number of shut down days. An immediate freeze was imposed on overtime working and on all new hires as well as on the engagement of subcontracted and casual labour. Training programmes were moved online and more frequent communication with all employees implemented.

Moreover, cash conservation measures were implemented including the deferral of certain capital expenditure projects and more robust working capital controls. Application was made for temporary capital moratoria on a number of bank loans (later withdrawn) and additional focus was brought to bear on inventory levels and the collection of trade receivables.

At the same time, management and the Board regularly examined various contingency planning scenarios under which the impact of the crisis on the businesses of the Group was assessed. The scenarios adopted varying assumptions, seeking to model the duration of the effective shut down on parts of the business and the anticipated rate and shape of the recovery as restrictions are gradually lifted.

As noted above, the Group maintained its full work force through the year despite the marked reduction in turnover, with the balanced approach of measures undertaken for 'shut down' days together with accessing the Covid-19 wage supplement scheme extended by the Government of Malta. The measures undertaken by the Board and Management together with the full cooperation and understanding of the Group's workforce enabled the Group to respond quickly to the emerging challenges, increase efficiency and flexibility and curtail certain categories of expenditure. Ultimately this resulted in the Group being able to weather the unprecedented storm brought about by the pandemic.

Group turnover for FY 2021 amounted to €73 million compared with €103.5 million for the previous year – a decrease of 29.4%. The reduction in turnover was experienced across all segments, with the higher drops being registered in the beverages importation operations (minus 34%) and the franchised food retailing establishments (minus 35%), both of which were heavily impacted by the lack of tourist traffic and the closure and other regulations imposed on hotel, bar and restaurant outlets at various times during the year. In the food retailing sector, the decline in on-premise covers was partially mitigated by higher drive thru and home delivery volumes. In the beverage sector (both at FBIC and at the Farsons beer and beverage manufacturing operations), take home sales held up well, but as expected, on-premise sales (in hotels, bars, clubs and restaurants) suffered through a combination of forced closures, lower tourist numbers and a ban on mass gatherings including village feasts, weddings, the Great Beer Festival, and other celebratory events.

The Group's profit before tax for the year amounted to €4.4 million (2020: €12.3 million), a decrease of €7.9 million (or 64%) over that reported for FY 2020.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to €14.95 million as compared to €22.7 million in FY 2020, a decrease of 34% reflecting the much-reduced reported profit for the year. The Group's net borrowings decreased by €15.6 million, whilst the gearing ratio reduced to 16.8% as compared to 25.9% for FY 2020. The reduction in indebtedness resulted from measures taken by the Board to curtail certain capital expenditure during the year, selective inventory de-stocking, strong focus on trade collections – and the VAT and tax payment deferral schemes announced by government. In view of the reduction in indebtedness, the Group saw no reason to seek any further capital or interest moratoria from our bankers, and normal banking terms were restored. Total equity of the Group increased from €116.2 million to €119.7 million, reflecting the profit generated and retained during the year.

The tax charge recorded in FY 2021 of €1.1 million (2020: €0.5 million) is a result of the derecognition of part of the deferred tax asset resulting from the subdued profit outlook over the post Covid-19 recovery period. The Group's policy regarding the recognition of deferred tax as an asset is to record the amount of investment tax and other credits that it is believed can be utilised against estimated profits over the foreseeable future. As a result of the lower profits being reported this year and subdued profit expectations for the medium term as economies and tourist markets recover, the noted deferred tax asset value was adjusted in FY 2021. As at 31 January 2021 unrecognised investment tax and other credits with no expiry date amounted to €26.2 million (2020: €26.5 million).

INVESTMENTS

During FY 2021 the Group invested a further €10.7 million to complement the major plant investments carried out in previous years together with capital works on the iconic Old Brewhouse project. Capital investment to continuously upgrade existing production facilities together with the investment in a de-alcoholisation plant have been amongst the more significant investments carried out over the year so as to ensure that the Group continues to innovate and develop new products for our customers. The investment in the de-alcoholisation unit culminated in launch of in April 2021 of Cisk 0.0 – the Group's first non-alcoholic beer – a product range that it is believed has interesting export market potential. At the same time, the Group invested further in the efficiency of our state-of-the-art logistics facility. The Group's commitment to an ongoing investment programme is of paramount importance in ensuring that the Group remains a leader in our chosen business sectors.

In our Food Chain business capital investment was allocated for the development of an additional drive-thru restaurant for the Burger King franchise in the south of Malta. This new outlet opened its doors to its first customers in May 2021.

The major investment currently being undertaken by Farsons is the restoration and rehabilitation of the Farsons Old Brewhouse. This landmark regeneration project is well underway and on time for the projected completion date in late 2021. The project will provide a Brewery Visitor Experience, a Microbrewery, a Brewpub, a Cisk bar, a food court and multiple indoor and outdoor event areas for both business and leisure activities.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2022

As noted above, the pandemic has inevitably impacted the Group's activities over the year. However, the high efficacy demonstrated by the vaccines and the impressive roll-out of the inoculation programmes in Malta and the United Kingdom – and increasingly across Europe - gives cause for cautious optimism at a time when lockdown restrictions are being lifted and there are tentative signs that the European tourist market may be starting to open up. The caution is caused by the continuing emergence of new and highly transmittable variants (the latest being from India), and nervousness arising from past experience where infection rates spiked shortly following the lifting of restrictions and the resumption of international travel.

The Group is better placed than it was this time last year in that we have now had experience on how to live with Covid-19 – and have adjusted our operations to deal with the new reality of lower volumes and shorter planning cycles as regulations change in response to public health developments. We have demonstrated over the past twelve months that in spite of the sudden and very severe shock to the economy and to our businesses brought on by the unexpected onslaught of Covid-19, we have been able to respond with agility and flexibility. Notwithstanding a close to 30% drop in turnover, we have reported respectable profits for the year of €4.4 million – and have generated cash from operating activities over this period of €24.5 million. This demonstrates the resilience of our business model.

The immediate outlook remains uncertain, as does the speed at which the economy and the tourist market will re-open and recover to pre-Covid-19 levels. Business pressures will continue to prevail – and we can expect some failures following the long periods of lockdown. However, given the effectiveness of the vaccine and inoculation programs we have reason to be cautiously optimistic that we will be able to report improved results in FY 2022, absent any marked (and at this stage, unexpected) deterioration in the public health outlook.

As noted in last years' report, the Farsons Group entered the Covid-19 induced crisis from a position of strength. Following many years of significant capital investment, Farsons has state of the art production and distribution facilities and a portfolio of highly acclaimed products and world class brands. The adoption over the years of a prudent profits reinvestment policy has also resulted in a strong balance sheet, with shareholders' equity exceeding €116 million at the start of FY 2021 – now increased at the year end to €120 million.

FINANCIAL RISK MANAGEMENT

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

DIVIDENDS AND RESERVES

The income statements and statement of financial position are set out on pages 66 to 68. As at 31 January 2021, retained earnings amounted to €61.5 million (2020: €58.1 million).

Our Shareholders are one of the vitally important stakeholders in our business. Over the years they have provided millions of euros of capital to the Farsons Group, particularly through profit retentions, without which it would not have been possible for the Group to have undertaken the very substantial capital investment programmes that have resulted in our having the state-of-the-art brewing, manufacturing, bottling and logistical operations that we have today.

Shareholders are compensated for the capital that they invest in a business through the periodic distribution of dividends. Any decision to defer or suspend the declaration of regular dividends is therefore only taken after the most careful consideration. Given the huge uncertainty that prevailed in early 2020 as a result of the pandemic, and the lack of forward visibility concerning the timing and nature of any recovery from the crisis, the Board did not feel able to recommend the declaration of a final divided for FY 2020 to the Annual General Meeting that was held in October 2020 – and given the second wave in infections that was occurring at about that time, neither did the Board feel able to declare the payment of an interim dividend for FY 2021. It is significant that the Shareholders were wholly understanding and supportive of the Board's view at that time.

If we have learned nothing else over the past year, we have certainly learned that it is a grave mistake to underestimate the unpredictable nature and destructive power of the Covid-19 virus. There have been a number of false starts, and the second and indeed third waves of the virus have been even more severe and deadly than the initial outbreak. Around the world, the current weekly rate of new infections is the highest that it has ever been, and although the roll out of the vaccines gives cause for a degree of cautious optimism, now is not the time for complacency.

Accordingly, the view of the Board is that much as it would like to propose a final dividend for FY 2021 to the forthcoming Annual General Meeting, we also believe that it would be prudent to await developments – and to see what happens over the coming summer months in Malta and across Europe – particularly in terms of the opening up of the tourist market – a sector that is so important to Malta's economy and to our business. If things, as we would hope, go well, then the Board would certainly consider favourably the declaration of an interim dividend at the time of the announcement of our half yearly results in September 2021 – by which time we would have had a better view as to how the business has performed over the important summer months. The situation will be kept under careful and constant review, and Shareholders can rest assured that appropriate dividend distributions will be resumed immediately it is judged prudent to do so.

DIRECTORS

The directors who held office during the year were:

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

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

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

The financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2021 are included in the Annual Report 2021, which is published 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 2021, 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 12 of the financial statements on page 92.

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 2021, 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
Zone 2, Central Business District
Birkirkara
CBD 2010
Malta

Telephone (+356) 2381 4172

Antoinette Caruana
Company Secretary
26 May 2021

STATEMENT BY THE DIRECTORS ON NON–FINANCIAL INFORMATION

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

Our Business Model

The Farsons Group is located in Malta and traces its origins to 1928.

The Group comprises SFC as the holding Company and which is also engaged in the manufacture of branded beers and beverages including the award–winning Cisk range of beers, Blue Label Ale, the Kinnie range of soft drinks and San Michel table water among others. All the Group's subsidiaries are wholly owned. Both SFC and its subsidiaries represent a number of international market leaders in the food and beverage industry through long–standing relationships. Farsons Beverage Imports Company Limited is active in the importation, distribution and retail of wines and spirits, Quintano Foods Limited operates a food importation and distribution business whilst EcoPure Limited distributes dispensed bottled water. Food Chain Limited operates a number of franchised food outlets across the island. The Group's culture is one of total commitment to securing the highest standards of products and services and to sustain its reputation for quality and excellence.

SFC is a public Company with its registered address at The Brewery, Mdina Road, Zone 2, Central Business District, CBD 2010, Birkirkara, Malta. The Company's issued share capital is made up of 30,000,000 ordinary shares of €0.30 each in nominal value. All shares carry equal voting rights and are listed on the Malta Stock Exchange. As at the year-end 79.3% of the issued shares were owned by the three major shareholders, with the balance being held by general public shareholders.

A description of the corporate governance structure deployed across the Group, including matters relating to the role and responsibilities of the Board are set out in the Corporate Governance Statement which forms part of this Annual Report.

Inter-alia, the Board assumes responsibility for identifying the principal business risks for the Group and overseeing the implementation and monitoring of appropriate risk management systems. The principal risks would include those that could cause a materially adverse impact to the Farsons Group's operations, products, reputation and business performance, its business relationships and/or the safety and well–being of its customers and employees. Risk management reviews are conducted on an annual basis with the assistance of external consultants and enhanced risk management protocols implemented as appropriate. The outbreak of the Covid–19 pandemic was an acute reminder of the reality of unexpected external risk – and the Group responded with speed and agility in seeking to address the immediate consequences of the public health and business crisis stemming therefrom, and in ensuring the safety and well-being of our people and outside third parties.

The Group generated a turnover of €73.016 million during the year ended 31 January 2021 and employed an average of 790 (full time equivalent) employees during the year under review. At Farsons, we have always recognised our corporate responsibility towards all stakeholders and the wider community. We seek to engage in teamwork, we foster respect and exercise integrity whilst promoting dynamism and striving for excellence. We are committed to upholding the highest standards of corporate ethics and behaviour and as a public listed company, we remain transparent in our dealings and are guided by a strong sense of values where trust is central to all that we do.

Our Commitment to the Environment

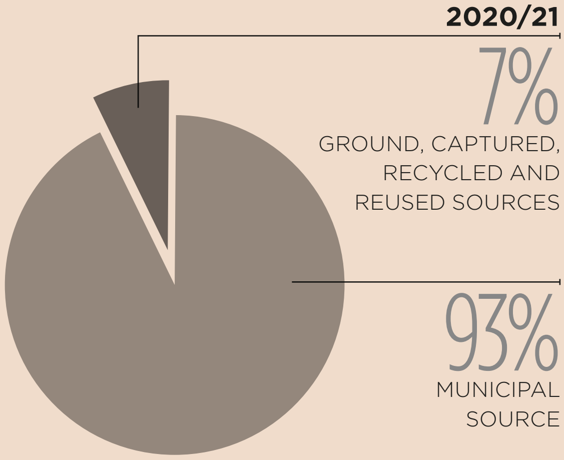
Management is increasingly aware that environmental sustainability apart from being intrinsically a valued objective, would in the long term benefit the Farsons Group. It is for this reason that a strong focus on the performance of the business from an environmental perspective is maintained and is under constant review. All key investments and business decisions draw on environmental considerations. This is a culture that has gained ground across all levels of management; water usage, energy efficiency, emissions and packaging waste management all represent important key performance indicators for the Group.

POLICIES AND RISKS

The risk to which our environment is exposed cannot be underestimated and represents an increasing area of focus on a global basis. The risk is no less important in a pandemic year. Extreme weather events, natural disasters and water shortages are all in part a consequence of global warming and the failure of climate-change mitigation measures. Increasing attention is also being given to the indiscriminate use and disposal of plastic.

As with beverage companies generally, Farsons is exposed to environmental risks by way of its agricultural supply chains and its significant water consumption. Responsible recycling and disposal of packaging waste is also an obligation that has been an area of increasing policy focus and commitment at the Farsons Group for a number of years, as have water conservation and energy efficiency.

In its bid to counter the impact of environmental risks, continuing efforts are made to increase coordination with supply chain partners on an ongoing basis. The Group also continues to deploy significant resources and new investment towards the better management of water, energy emissions and packaging waste. The Group is consistently seeking new and innovative ways to secure sustainable use of limited natural resources.

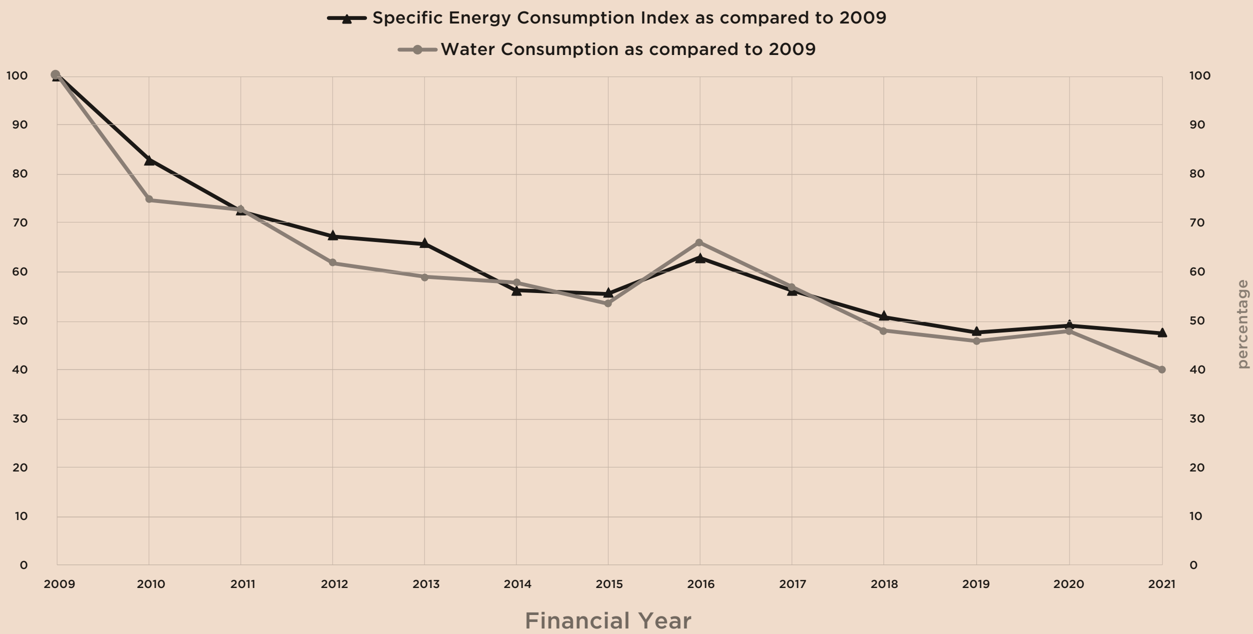


WATER
The Farsons Group is aware that water is not only a prime raw material in our beverages but more so it is a scarce resource, particularly in Malta. The efficient use and recovery of water are responsibilities which are attended to on a daily basis and every effort is made to improve our processes as part of a programme of water resource management.

In line with the usage patterns recorded during 2019/20, 93% of the water used in our products and production cycles during 2020/21 was sourced from the Water Services Corporation. Recycled water and water sourced from our water capture and storage capabilities supplied most of the balance of 7%. Minimum use, estimated at 1% of total usage, was made of water extraction from boreholes (which supply is both fully licenced and metered). Irrespective of the source, water used in our products goes through extensive filtering, purification and treatment processes so as to meet our own premium quality standards.

ENERGY USE AND GREENHOUSE GAS EMISSIONS
Farsons recognises the impact of emissions on our environment and is committed to reduce its carbon footprint. Existing operations are monitored for both their impact on energy use and that on greenhouse gas emissions and improvements are being implemented on an ongoing basis. Investment decisions on new projects unfailingly take into account the environmental implications as well as other commercial considerations. The policy is focused on reducing our carbon footprint and on countering air pollution by favouring on-site energy generation from renewable sources to the extent possible. Improvements have been recorded in the greenhouse gas emissions and energy intensity over a number of years and continuing efforts are underway in these areas.

As a result of the outbreak of the Covid-19 pandemic, the process of phasing out Euro 4 certified vehicles from the commercial fleet by 31 January 2021 was delayed. Fuel consumption was estimated to have reduced by as much as 12% when compared to 2019/20 both in view of a reduced number of deliveries and equally important, due to less traffic on the roads which allowed for faster turnaround times. Sophisticated route planning software is utilised to increase the efficiency of our delivery trips and further contributes to reduced emissions on our roads.



PACKAGING WASTE

The policy adopted by Farsons over the years is directed at continuing to increase the incidence of reuse, recycle and recovery of packaging waste placed on the market. The Group is committed towards a responsible and sustainable approach in this regard. Farsons is at the forefront of both participation in waste management schemes and in the preparations under way for the introduction of the Beverage Container Refund Scheme, in which the Farsons Group will be a major investor. We are fully supportive of the drive towards a circular economy and we look forward to sustaining a well-established and efficient beverage container return system with high collection rates. At the same time, Farsons continues to promote the use of returnable (and reusable) glass bottles and kegs despite consumer preferences for one-way cans and plastic (PET) bottles.

Efforts to recycle packaging waste are ongoing. We continue to fulfil our obligations for the recovery and separation of packaging waste, and through our participation in the licensed waste recovery scheme have materially exceeded the targeted 60% recycling obligation. The glass recycling process has also been enhanced as a result of our investment in on–site crushing equipment, and the collection of Waste Electrical & Electronic Equipment (WEEE) and the battery collection facilities remain available to employees and their households.

Our efforts towards recycling are ongoing. All spent grains which are a by-product of our brewing processes are recycled in an environmentally friendly way and likewise, all waste oils are collected for recuperation and regeneration through authorised service providers.

Our Commitment to our People

POLICIES AND RISKS

The Board is committed to enhance the quality of life of its employees and their families and of the community and society at large. The maxim “together each achieves more” is adopted by the Group to emphasise the importance of adopting a team approach and of working together as stakeholders to reach our respective objectives together.

TRAINING AND EDUCATION

The Group believes that a trained and educated workforce is a resource which enhances its competitivity on the market. The organisation of training and education programmes grew more challenging during the onset of Covid-19, but the commitment to build on our human resources capabilities was undiminished with programmes ranging from technical to management and leadership areas. During this financial year, a total of 8,755 hours of training were delivered across all employee categories and encompassing 1,455 participants. This includes all Group employees but excludes Food Chain crew, who carry out training requirements as per international franchise guidelines.

A myriad of training courses were held during the year. These focused on corporate social responsibility, design thinking, GDPR and risk management among others. The annual employee engagement workshops and management programme for operational leaders proved to be among the most successful and sought out initiatives among our employees. Various courses are organised internally by the organisation as well as externally through local training providers and trainers that are invited over to implement learning programmes for employees.

Further to this, a number of employees are subsidised by the Group to engage in accredited learning programmes that lead to recognised qualifications. Paid educational leave is also provided for employees by the organisation as part of its learning and development strategy.

The Farsons Group is actively engaged in implementing programmes to upgrade employee skills including technical, soft skills as well as management and leadership programmes. The programmes are targeted at enabling employees to continuously develop their knowledge, skills and competences, both at the workplace and beyond, since most of the learning programmes equip employees with skills and competences that can be utilised and adapted to different environments. In this manner, the learning programmes implemented by the Group impact the work and life of employees, sustaining a lifelong learning approach and strategy.

These learning programmes ensure that employee skills are kept updated to the changing work environment while ensuring employee engagement and satisfaction.

Farsons’ achievements in the field of training and education were recognised and singled out as a showcase of good practice during the Malta Vocational Education and Training Awards held in February 2021. The Training at Work Award is an award intended to value good professional and practical on-the-job learning practices addressed to relevant workers, thus enhancing lifelong learning.

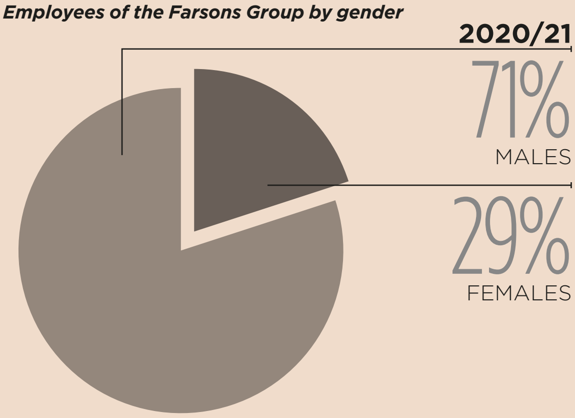
EVALUATION AND APPRAISAL

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

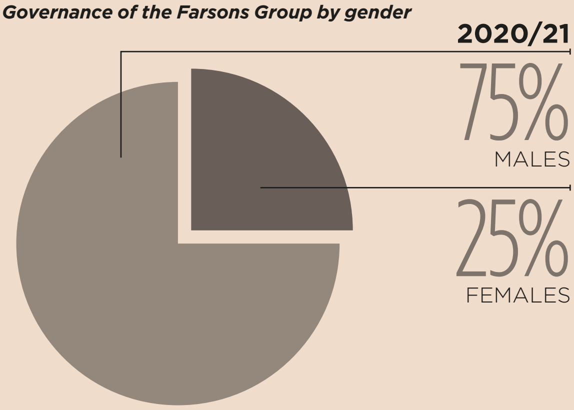
DIVERSITY, INCLUSION AND EQUALITY

Diversity is positively looked upon as a source of various viewpoints irrespective of whether this diversity arises in terms of gender, sexual orientation, age, disability, race, religion or other criteria. Inclusivity is more than a byword at Farsons. Simonds Farsons Cisk plc is certified with the Equality Mark issued by the National Commission for the Promotion of Equality. This is based on the Company’s commitment to implement the relevant policies and practices related to gender equality and family friendly measures at the workplace and on access to goods and services. The Board believes that diverse experiences and perspectives allow for a stronger business and this is brought about by fostering an inclusive environment, ensuring equal opportunities for all our employees and guaranteeing equal pay for equal work.

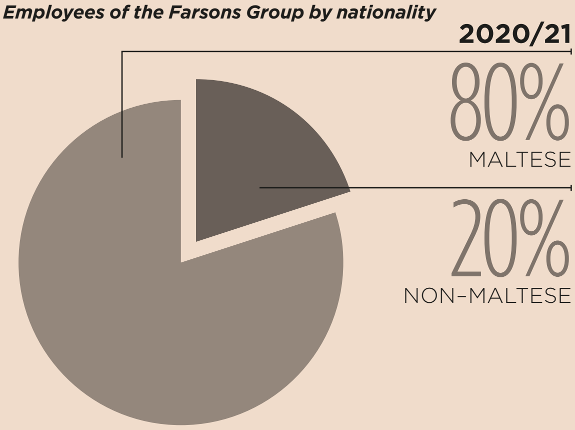
Employees of the Farsons Group by gender



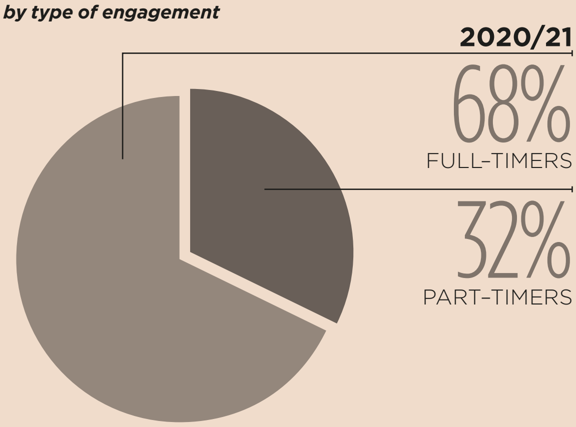
Governance of the Farsons Group by gender



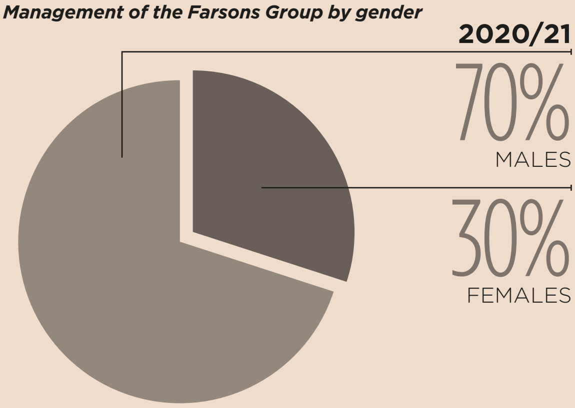
Employees of the Farsons Group by nationality



Employees of the Farsons Group by type of engagement



Management of the Farsons Group by gender



WORKPLACE SAFETY

The unprecedented Covid-19 pandemic brought with it extraordinary challenges. At the Farsons Group, we were quick to recognise the severity of the pandemic and drew up a rapid response across our businesses to counter the spread and to reduce the risks of contagion. Covid-19 guidelines were developed and updated with regular frequency in compliance with the directives issued from time to time by the Superintendence of Public Health. These guidelines included recommended practices and tips on keeping employees informed.

Except for those roles which are necessarily performed on site, many employees worked from home for extended periods during the pandemic and were supported with resources and training as necessary.

Measures to stay healthy at the workplace were introduced and upheld throughout all work areas. The monitoring of body temperature, the wearing of masks, the enforcement of social distancing rules and the disinfection of spaces were among the more important initiatives undertaken during the past months to keep our operations running except in those instances where the closure of our restaurants was mandated by government.

Employees who presented symptoms of Coronavirus were asked to inform the Company and above all, to stay at home and to seek medical guidance. Efforts to trace the spaces and persons with which such employees were in contact in the previous days were stepped up to ensure that proper sanitisation and quarantine procedures were adhered to.

Both the Chairman and the Group Chief Executive communicated directly with employees at the height of the pandemic to provide their support through difficult times.

The Board is committed to prioritise the health and wellbeing of all Farsons employees. This was in evidence immediately the World Health Organisation (WHO) declared the Covid-19 outbreak to be a global pandemic and this commitment remains just as strong to this day.

The Group's efforts to train all staff and to improve its training methodology in continuous education to prevent injuries and health impairment, as well as education for the safe operation of equipment are continuous and ongoing. The incidence of training during the financial year was necessarily curtailed in view of the restrictions on the number of attendees at any one time but the more important sessions in health and safety training were conducted nonetheless with 243 training hours organised towards this aim. The training was attended by 87 participants.

Finally, the Group is proud of the positive response from the entire workforce to the myriad of challenges presented by the outbreak of the pandemic, and equally proud that the Group was able to respond to those challenges without having to resort to any reductions in the size of our permanent workforce.

Our commitment to the Wider Society

REDUCING SUGAR CONSUMPTION

Our pledge to reduce the added sugar in our soft drinks portfolio by 10% by 2020 as part of a European objective was accomplished during the year.

Despite this achievement, the Company remains committed to combatting obesity in the Maltese islands and the promotion of its range of smaller pack sizes and no sugar products is ongoing.

RESPONSIBLE DRINKING

The Farsons Group has a long-standing reputation for high–quality standards in its world–class range of beers and alcoholic beverages. A high-quality standard is a pledge which is made to all customers with every Farsons product and the importance that these products are enjoyed responsibly cannot be overemphasised.

We strongly believe that moderate consumption and the prevention of drink driving benefits consumers and society, and we pledge to market our products in a responsible manner. In 1997, Farsons was a founding member together with other like minded organisations of The Sense Group which was established with a view to promote responsible drinking and to foster drink awareness on an ongoing basis and particularly during the festive season. It is a Farsons commitment which is as strong today as it was in 1997.

PRODUCT SAFETY

Our production facilities are designed to assure a premium standard of product safety performance. Products are invariably tested by qualified personnel and over the years significant investment was made in our fully equipped laboratory. Product safety is an uncompromising attitude which has distinguished the Farsons Group since its inception.

COMMUNITY ENGAGEMENT

Despite the social and economic uncertainties brought about by Covid-19 and notwithstanding the toll in terms of a rapidly shrinking market, Farsons' engagement with the community remained as strong during the pandemic as it was during better days. We made contributions to Hospice Malta and to a host of national organisations engaged in the preservation of Maltese heritage both on a national and on a local level. Additional funds were raised particularly towards organisations operating in the mental health sector to alleviate the stress which the pandemic has brought on society on so many levels.

THE FARSONS FOUNDATION

Farsons' commitment towards corporate social responsibility is witnessed through initiatives undertaken over the past decades and intended to benefit our society in various ways. The Board has recognised that it is even more important to maintain this commitment during the times of a pandemic. The arts, education and culture were in dire need of support and the Company's contribution was not in any way scaled down notwithstanding the negative financial impact of Covid-19. The Farsons Foundation remained active throughout the year in its support for Malta's culture, heritage and industrial traditions. Support was also extended to deserving causes of a philanthropic nature, support that was especially important at a time when alternative sources of funding were at best reduced and at worst completely wiped out.

Respect for Human Rights, Anti–Corruption and Bribery Matters

POLICIES AND RISKS

The Board reaffirms its belief in human rights and its commitment to uphold and advance the respect of human rights. It is recognised that human rights allow people to grow and realise their potential.

Beyond the reputational risk associated with any inattention towards human rights, anti–corruption and bribery matters, we recognise that we have a responsibility towards society on each count. We therefore strive to uphold such principles and to set a positive example respecting and promoting human rights and adopting an anti–corruption and bribery stance throughout our business conduct.

RESPECT FOR HUMAN RIGHTS

The Farsons Group is committed to respecting human rights encompassing the rights of our employees and of workers in our supply chain alike. The Board is vigilant to ensure that the Group's operations reflect this commitment, and every effort is made to benchmark our performance against the highest standards and expectations.

A professional report was drawn by external advisors and during the year a specific human rights policy document was adopted by the Board to spell out the Company's commitment to respecting human rights. The policy is featured on the worldwide web (www.farsons.com). Any possible violations or grievances over human rights can be reported to management through the Speak Up policy and whilst anyone initiating such a report in good faith is protected against retaliation, all reports are investigated, and action plans developed to mitigate or eliminate such concerns where these are found to be justified.

ANTI–CORRUPTION AND BRIBERY

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

The Farsons Group takes pride in the fact that against the backdrop of a heightened public awareness, the Group has at no time been involved or implicated in corruption or bribery allegations as reported or confirmed. In terms of the Code of Conduct, business decisions of the Farsons Group will never be influenced by corruption and any unethical business practices, including money laundering, are not tolerated. In dealing with public officials, other corporations and private citizens, we subscribe to ethical business practices. We will not seek to influence others, either directly or indirectly, by paying bribes or kickbacks in any form, or by any other measure that is unethical or that will tarnish our reputation for honesty and integrity.

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

- Training on the Code of Conduct with specific focus on anti–corruption and bribery;
- The possibility to report suspected corruption and bribery through our Speak Up Reporting Officers; and
- Investigation of all suspected corruption and bribery allegations in connection with an incident management process and escalation procedure.

Conclusion

The success of Farsons is built on its brands but this success is entirely dependent on our people. It is for this reason that their wellbeing remains a foremost priority for the Group and our support during the pandemic was unwavering. The Board's commitment towards the protection of the environment, the welfare of society and respect for human rights remained intact despite the challenges posed by the pandemic. It is this resolve in difficult times which continues to inspire management to strive for higher standards much in the same way which distinguished Farsons ever since its foundation in the late 1920s.

Approved by the Board of Directors on 26 May 2021 and signed on its behalf by:

Louis Farrugia

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice–Chairman

CORPORATE GOVERNANCE STATEMENT

A. Introduction

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

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

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

B. Compliance with the Code

PRINCIPLE 1: THE BOARD

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

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

Directors are provided prior to each meeting with the necessary information and explanatory data as may be required by the particular item on the agenda. Comprehensive financial statements together with a comprehensive analysis of financial and business performance are also provided to the Board 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 Nominating and Corporate Governance Committee, the Related Party Transactions Committee, the Audit and Risk Committee and the Remuneration Committee, each of which operates under formal terms of reference approved by the Board. Further detail in relation to the committees and the responsibilities of the Board is found in Principles 4 and 5 of this statement.

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE

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

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

The SMB is, inter-alia, responsible:

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

All members of the SMB itself are senior SFC executives with experience of the Group's business and with proven professional ability, and each has a particular sphere of interest within his competence. The Company's current organisational structure provides for the Group Chief Executive to chair the SMB. The Group Chief Executive reports regularly to the Board on the business and affairs of the Group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the Board are timely, give a true and correct picture of the issue or issues under consideration, and are of high professional standards as may be required by the subject matter concerned.

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

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

PRINCIPLE 3: COMPOSITION OF THE BOARD

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

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

Executive Directors

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

Non-Executive Directors

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

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

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

Family relationships among Directors, the Directors' interest in the share capital of the Company as disclosed in the Shareholder Information and the commonality of Directors with Trident Estates plc with which the Company maintains contractual relationships, represent potential conflicts of interest. This notwithstanding, all Directors except for the Chairman and for Mr. Michael Farrugia, are considered to be independent in that they do not hold any relationship with the Company, a controlling shareholder or their management which creates a conflict of interest such as to impair their judgement. This has been ensured through the implementation of the following measures:

a. Disclosure and Exclusion: a Director is obliged to disclose any matter that may give rise to a potential or actual conflict. Following this, the respective Director is excluded from any deliberations and voting in respect of such matter;

b. Related Party Transactions Committee: with regards to any transactions which may be determined to be related party transactions, such transactions are referred to and dealt by the Related Party Transactions Committee (the "Committee"). Similar to the situation at Board level, any Director who is a related party with respect to a particular transaction is not permitted to participate in the Committee's deliberation and decision on the transaction concerned. Furthermore, due to the fact that the most common of matters in which a related party transaction may arise would be in relation to a transaction with Trident Estates plc, the Committee in session is made up of Directors who are not common directors on the boards of both Trident Estates plc and the Company;

c. Continuing Conflict: any 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 and should this not be possible, said Director is encouraged to consider resigning;

d. Separation of Family Interests: there are no ties or relationships between management and the Directors. The Board has taken the view that the length of service on the Board does not undermine any of the Directors' ability to consider appropriately the issues which are brought before the Board. Apart from possessing valuable experience and wide knowledge of the Company and its operations, the Board feels that the Directors in question are able to exercise independent judgement and are free from any relationship which can hinder their objectivity. Although, the Board believes that by definition, employment with the Company renders a Director non–independent from the institution, this should not however, in any manner, detract from the non–independent Directors' ability to maintain independence of analysis, decision and action.

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

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

Meetings held:	11
Members attended:	
Mr Louis A. Farrugia	11
Mr Marcantonio Stagno d'Alcontres	11*
Marquis Marcus John Scicluna Marshall	10
Dr Max Ganado	10
Mr Roderick Chalmers	11
Ms Marina Hogg	11
Mr Michael Farrugia	11
Baroness Christiane Ramsay Pergola	8

**Of which 1 meeting was attended by an alternate Director*

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

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

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

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

Board Committees

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

The Corporate Governance Committee, the Nomination Committee and the Board Performance Evaluation Committee were merged into a Nominations and Corporate Governance Committee as of 1 May 2021. The New Ventures / Acquisitions / Mergers Committee was discontinued as part of the re-organisation of the Board committees on the understanding that the Board will appoint an ad hoc committee to review any potential new ventures, acquisitions and/or merger transactions as and when necessary.

As noted above, the role of the Nomination Committee was merged into that of the Nominations and Corporate Governance Committee, chaired by a Non-Executive Director and 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 Nominations and Corporate Governance Committee.

The terms of reference of the **Nominations and Corporate Governance Committee include monitoring and reviewing** best corporate governance practices and reporting thereon to the Board. Directors and senior officers who wish 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.

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

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

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

- Mr Roderick Chalmers – *Chairman*
- Ms Marina Hogg
- Marquis Marcus John Scicluna Marshall

The majority of the Directors on the Audit and Risk 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 and Risk 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 and Risk Committee also reviews and approves the internal audit plan prior to the commencement of every financial year. The Audit and Risk 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 2021, the Audit and Risk Committee held six meetings. Audit and Risk 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 and Risk Committee, is present at Audit and Risk Committee meetings. The external auditors are invited to attend specific meetings of the Audit and Risk Committee and are also entitled to convene a meeting of the committee if they consider that it is necessary. The Chairman of the Senior Management Board and the Chief Finance Officer are also invited to attend Audit and Risk Committee meetings. Members of management may be asked to attend specific meetings at the discretion of the Audit and Risk Committee.

Apart from these formal meetings, the Audit and Risk 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 and Risk 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 and Risk 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 and Risk Committee Chairman.

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 also responsible for advising the Board through the Chairman on all governance matters.

PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE

With effect from 1 May 2021, the role of the Board Performance Evaluation Committee was merged into that of the **Nominations and Corporate Governance Committee** chaired by a Non–Executive Director. The committee is to deal with the Board's performance evaluation and identify ways how to improve the Board's effectiveness.

The evaluation exercise is conducted annually 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. 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

See the section above dealing with Principles 4 and 5 for details relating to Board Committees.

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

Every shareholder owning twelve and a half percent (12.5%) of the ordinary issued share capital or more, is entitled to appoint and replace a Director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of Directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 102), 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 the Shareholders' information section of this Annual Report.

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 Risk Committee and the Remuneration Committee 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 and by publishing its results on an annual basis. The Company's website (www.farsons.com) also contains information about the Company and its business, including an Investor Relations section. In addition, the Company holds a meeting for stockbrokers and financial intermediaries once a year to coincide with the publication of its financial statements.

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

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

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

PRINCIPLE 11: CONFLICTS OF INTEREST

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest. Should any such conflicts of interest be perceived to arise:

- 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 2021 and as at 26 May 2021 are disclosed in the Shareholder Information section of this Annual Report.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

The principal 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;
- 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.

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 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 subsidiary'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 the 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. Save for the exceptional circumstances arising out of the legally sanctioned delays allowed in times of the current pandemic, within seven 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, and to elect the Directors and appoint the Auditors of the Company. With effect from financial year ended 31 January 2021, the Remuneration Report will be subjected to an advisory vote of the shareholders at each Annual

General Meeting. 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 26 May 2021 and signed on its behalf by:

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice–Chairman

REMUNERATION REPORT

1. Terms of Reference and Membership

The Remuneration Committee is composed of three independent Non-Executive Directors. During the financial year ended 31 January 2021 (FY 2021), the Remuneration Committee was composed of Marcantonio Stagno d'Alcontres (Chairman), Roderick Chalmers and Marcus John Scicluna Marshall. The Committee met twice during the year with all members in attendance.

In terms of the Remuneration Policy of the Group, the Remuneration Committee is responsible for reviewing and approving all remuneration packages of Executive Directors, Non-Executive Directors and Senior Management. The Remuneration Policy was approved by Shareholders at the 73rd Annual General Meeting held on 8 October 2020 with 25,154,915 votes in favour and 1,167 votes against and can be found on the Group's website ***www.farsons.com***. Any material amendment to the Remuneration Policy shall be submitted to a vote by the Annual General Meeting before adoption and shall in any event be subject to confirmation at least every four years.

As provided in the Remuneration Policy, the recommendations of the Remuneration Committee are submitted to the full Board for consideration and final approval. Individual Executive Directors recuse themselves from any participation in Board discussions concerning their own remuneration as appropriate. The Remuneration Committee is also responsible for drawing up and proposing to the Company's Board of Directors any amendments thought necessary to the Remuneration Policy for consideration and approval. Any amendments to the Remuneration Policy will require the approval of Shareholders in General Meeting.

2. Remuneration strategy and policy

The strategy of the Farsons Group is founded 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 so as to ensure long-term investment and profitable growth. It is believed that it is through the implementation and observance of the above principles that the Group will accomplish the vision of growing its local and international business within the food and beverage sector.

In order to achieve the above strategic outcomes, it is necessary that the Farsons Group attracts, retains and motivates the best available talent at all levels – from the most recently recruited trainee to members of the Board of Directors.

In order to be successful in this quest of attracting, retaining and motivating best in class talent, it is essential that the Group's Remuneration Policy provides market-competitive salaries and related benefits by reference to those provided by other entities operating in relevant and comparative market sectors. There is therefore a clear synthesis in the pay structures of the wider workforce and executives across the Group, and the Board believes that this approach serves the best long-term interests of all stakeholders.

The above principles apply equally to Remuneration Policy insofar as Directors are concerned. However, there is a need to distinguish between Executive and Non-Executive Directors, and further details are provided below.

3. Remuneration Policy – Executive Directors

Executive Directors are members of the Board who also have an executive role in the day-to-day management of the Company and the Group. Apart from Mr Louis A. Farrugia and Mr Michael Farrugia, for the purposes of this Remuneration Report and pursuant to Listing Rule 12.2A, the Group Chief Executive Officer is considered to be an Executive Director of the Company.

Insofar as Executive Directors are concerned, remuneration is made up of the following components:

a **Fixed Pay** – Fixed or Base salary (including statutory bonus) – these are established by reference to the role, skills and experience of the individual concerned and appropriate market comparatives.

b **Variable Pay** – which is made up of two components as follows:

   i. ***Performance bonus*** – a variable component established by reference to the attainment or otherwise of pre-established quantitative targets. Quantitative goals could include pre-set profit, EBITDA and/or sales targets.

Discretionary bonus – also a variable component, established by reference to the evaluation of qualitative goals which are reviewed from time to time. Typically, targets are directed towards the long-term interest and sustainability of the Group, and could include the effective implementation of specific business initiatives and capital expenditure programmes, environmental and other CSR/ESG goals and staff retention initiatives.

The variable components to the remuneration awarded to Executive Directors are established from year to year and the quantitative and qualitative targets included therein would change from time to time depending on the circumstances of the business and the then prevailing commercial environment.

There are no pre-set fixed relationships between fixed and variable remuneration – and these would vary between Executive Directors (and indeed senior management). Whereas quantitative awards are usually formulaic in their calculation, discretionary and qualitative awards necessarily involve the application of subjective judgment.

Other provisions that form part of the Directors' Remuneration Policy include the following:

- Claw Backs – there are no claw back provisions in place in respect of variable salary awards.
- Benefits – which would comprise those benefits normally available to senior executives comprising principally (a) the provision of a suitable (taxed and insured) company car, (b) standard executive health insurance and life assurance cover, (c) mobile phone and allowance (d) other incidental benefits. Executive Directors also receive an expense allowance in reimbursement of certain expenses incurred in the execution of their respective roles and duties.
- Fees – Executive Directors are also entitled to receive the fixed Director's fee payable to all Directors in their capacity as members of the Board (see below). This component is payable from the aggregate amount of emoluments approved by the Shareholders in General Meeting.
- Share Option schemes – to date it has not been the policy of the Group to introduce any form of share option scheme or other executive share awards.

The Board believes that the above components of Executive Director remuneration serve to contribute to the realization of the Group's long- term strategy and interest – and also serve to secure alignment between the interests of the Executive Directors and that of the Shareholders.

Members of the Board of Directors appointed under the provisions of Article 95 retire from office at least once every three years but remain eligible for re-appointment. Those members of the Board elected under the provisions of Article 96 shall retire from office at the end of the next Annual General Meeting following their election, and also remain eligible for re-election. With the exception of the Group Chief Executive (GCE), Executive Directors are all engaged without fixed term contracts. In terms of current labour regulations all are regarded as employees on indefinite contracts. Subject to satisfactory performance, the GCE is engaged on a (renewable) three-year contract.

With the exception of the Executive Chairman, no long-term pension plans are in place. Insofar as the Executive Chairman is concerned, in view of his 40+ years of service to the Group, the Board has (on the recommendation of the Remuneration Committee) approved arrangements whereby his wife would receive a deferred lifetime annuity in the sum of approximately €60,000 per annum in the event that the Chairman pre-deceases her.

4. Remuneration policy – Non-Executive Directors

Non-Executive Directors are those members of the Board who do not have a role in the day-to-day executive management of the Company and the Group. Remuneration for Non-Executive Directors is determined by the Board of Directors as a whole and takes into account the skills required and those levels prevailing in the market for entities of a similar size and complexity.

The aggregate remuneration payable to Non-Executive Directors is approved by Shareholders in General Meeting pursuant to Article 81(1) of the Articles of Association of the Company and has two components:

- A fixed or base Director's fee which is established by reference to those levels prevailing in the market for entities of a similar size and complexity.
- A Board Committee fee for membership of the various established Board Committees. These Board Committee fees vary between Committees depending upon the relative workload and time commitment involved, and the skill sets, experience and professional knowledge required for the particular Committee concerned.
- From time-to-time circumstances arise whereby the Board of Directors (or members thereof) are faced in a particular year with significantly higher and complex workloads than would be the norm. Board members have in the past been awarded an additional fixed fee on an exceptional basis in recognition of these circumstances. Such additional awards would fall to be within the aggregate amount approved by the Shareholders in general meeting in terms of Article 81(1) of the Articles of Association of the Company.

Non-Executive Directors are not entitled to any contractual pension, termination or retirement benefits. However, they may be reimbursed certain expenses incurred in the discharge of their responsibilities and receive a fixed 'use of car' allowance.

5. Remuneration – Directors and Group Chief Executive

The following table provides a summary of the remuneration for the year ended 31 January 2021 for each individual Director and for the Group Chief Executive.

			Board & Committee Fees	Other	Fixed Pay	Variable Pay	Benefits & Allowances		Aggregate
			€	€	€	€	€		€
Directors' Emoluments - Year ended 31 January 2021									
Louis Farrugia	Executive Chairman		26,000		71,865	56,000	45,000	* *	198,865
Norman Aquilina	Group Chief Executive				155,526	101,000	11,000	* *	267,526
Michael Farrugia	Executive – Operations & Business Development	*	31,000		83,098	11,500	20,000	* *	145,598
Marcantonio Stagno d'Alcontres	Vice Chairman – Non Executuive		30,000				12,500	* *	42,500
Roderick Chalmers	Non Executive		31,000	24,000			6,000	* *	61,000
Dr Max Ganado	Non Executive		31,000					* *	31,000
Baroness Christiane Ramsay Pergola	Non Executive		25,000					* *	25,000
Marina Hogg	Non Executive		28,000				6,000		34,000
Marquis Marcus John Scicluna Marshall	Non Executive	*	35,000				6,000		41,000

*includes subsidiary Board fees **Company car provided
(a) the above table includes the remuneration and related benefits awarded to members of the Board of Directors and of the Group Chief Executive (GCE). Board related emoluments included in the above table requiring Shareholder approval under Article 81 total €311,500 (approved limit = €750,000). (b) During the year members of the Board and the GCE voluntarily waived the total sum of €28,443 due to them as part of the response to the business challenges arising from the Covid-19 pandemic. The amounts stated above are before deduction of these waived emoluments.

6. Shareholder involvement

Pursuant to Article 81 of the Memorandum and Articles of Association of the Company, remuneration (emoluments) payable to Directors with regard to their membership of the Board of Directors is always subject to the maximum aggregate limit approved by the Shareholders in General Meeting. This amount was fixed at an aggregate sum of €750,000 per annum at the 69th Annual General Meeting held on 28 June 2016.

Whereas remuneration paid to Executive Directors by virtue of their executive office (as opposed to membership of the Board) is not subject to the maximum aggregate limit stipulated under Article 81 as described above, with effect from FY 2021 and pursuant to the requirements of Listing Rules, the Remuneration Report of the Company shall form part of the Annual Report and shall provide full details of remuneration paid to all Directors. In accordance with Listing Rule 12.26L and 12.26M, the Remuneration Report will be subjected to an advisory vote by the Shareholders at each Annual General Meeting and shall be made available on the Company's website for a period of 10 years following the meeting.

7. Senior Management Remuneration

For the purposes of this Remuneration Report, "Senior Management" shall mean all members of the Group Senior Management Board as disclosed in this Annual Report. 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), for carrying 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 and the Remuneration Committee on the remuneration packages, 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 do not contain provisions for termination payments and/or 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. The Remuneration Committee is of the view that the relationship between fixed and variable remuneration and performance bonus are reasonable and appropriate. There are no claw-back provisions in respect of variable salary awards.

There are no executive profit sharing, share options or pension benefit arrangements in place. Non–cash benefits to which Senior Management are entitled comprise those normally available to senior executives including the provision of a suitable taxed and insured company car, standard executive health and life assurance cover, a mobile phone package and other incidental corporate benefits.

During the year under review the total emoluments relating to the Group Senior Management Board members were as follows:

	Fixed Pay	Variable Pay	Benefits & Allowances	Aggregate
	€	€	€	€
Senior Management Remuneration – year to 31 January 2021				
Senior Management Remuneration	701,846	197,900	105,727	1,005,473

(a) The above table includes the Remuneration and related benefits awarded to the members of the Group Senior Management Board (SMB). (b) During the year members of the SMB voluntarily waived the sum of €37,392 due to them as part of the response to the business challenges arising from the Covid-19 pandemic. The amounts stated above are before deduction of the sum waived.

8. Contents of the Remuneration Report

The contents of the Remuneration Report have been reviewed by the external Auditors to ensure that it conforms with the requirements of Appendix 12.1 to Chapter 12 of the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIMONDS FARSONS CISK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position of Simonds Farsons Cisk plc as at 31 January 2021, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

Simonds Farsons Cisk plc's financial statements, set out on pages 66 to 103, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 January 2021;
- 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 significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

The non-audit services that we have provided to the parent company and its subsidiaries, in the period from 1 February 2020 to 31 January 2021, are disclosed in Note 23 to the financial statements.

Our audit approach

Overview

- Overall group materiality: €509,000, which represents approximately 5% of the three-year average profit before tax.

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

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

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

Materiality

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

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

Overall group materiality	€509,000
How we determined it	Approximately 5% of the three-year average profit before tax
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, profit before tax is the metric against which the performance of the Group is most commonly measured. Average profit before tax over the past three financial years was chosen in view of the significant fluctuations in the Group's profitability level as a result of the Covid-19 pandemic. We considered the three-year average profit before tax to be more reflective of the performance of the Group. We chose 5% which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €25,450 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Recognition of deferred tax asset arising from tax credits relating to the Group and Company *Refer to note 20*	
The Group and Company have recorded a deferred tax asset attributable to unutilised tax credits amounting to € 13.4 million to the extent that it is probable that future taxable profits arising from the operations of the manufacturing arm of the Group will be available to allow the deferred tax asset to be recovered. We focused on this area because of the level of judgement that is applied in quantifying the appropriate tax credits to be utilised and therefore determining assumptions about future profit streams and investment decisions.	We obtained the detailed tax computation and tested the balance of unutilised tax credits carried forward. We evaluated and challenged the Group's budgets, business plans, future investment strategy and assumptions used to determine an estimate of that portion of unutilised tax credits to be used in the foreseeable future and therefore recognised as a deferred tax asset. We were provided with explanations that suggest that there are no indications that the amounts recognised are not recoverable.

How we tailored our group audit scope

The Group is composed of 7 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the 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 all of the information in the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the Report on other legal and regulatory requirements.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that Covid-19 will have on the Group's and the Parent Company's trade, customers and suppliers and the disruption to their business and the overall economy.

- 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, actions taken to eliminate threats or safeguards applied.

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

The *Annual Report and Consolidated Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Consolidated Financial Statements 2021* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report and Statement by the directors on non-financial information (on pages 38 to 42 and 43 to 48) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements. With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information section.*

Area of the *Annual Report and Consolidated Financial Statements 2021* and the related Directors' responsibilities	Our responsibilities	Our reporting
Corporate Governance Statement (on pages 49 to 55) The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97. 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 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information section.*
Remuneration report (on pages 56 to 59) The Listing Rules issued by the Malta Listing Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Listing Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Listing Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Area of the *Annual Report and Consolidated Financial Statements 2021* and the related Directors' responsibilities	Our responsibilities	Our reporting
	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 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 which, to the best of our knowledge and belief, we require for our audit. We also have responsibilities 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.

Other matter – use of this audit report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company for the period ended 31 March 1948. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 73 years. The Company became listed on a regulated market on 20 December 1995.

PricewaterhouseCoopers
78 Mill Street, Zone 5,
Central Business District Qormi, Malta

Stefan Bonello
Partner
26 May 2021

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2021	2020	**2021**	2020
	Notes	**€'000**	€'000	**€'000**	€'000
Non-current assets					
Property, plant and equipment	5	**121,944**	119,626	**113,863**	111,559
Right-of-use assets	6	**5,526**	6,159	**187**	188
Intangible assets	7	**604**	612	**–**	–
Investments in subsidiaries	8	**–**	–	**9,202**	9,202
Deferred tax assets	20	**7,565**	8,195	**8,455**	9,442
Trade and other receivables	10	**865**	1,695	**865**	1,695
Total non-current assets		**136,504**	136,287	**132,572**	132,086
Current assets					
Inventories	9	**13,752**	16,772	**8,263**	9,425
Trade and other receivables	10	**19,630**	26,469	**24,827**	20,714
Current tax assets		**5**	5	**–**	–
Cash and cash equivalents	11	**17,148**	8,409	**2,664**	1,002
Total current assets		**50,535**	51,655	**35,754**	31,141
Total assets		**187,039**	187,942	**168,326**	163,227

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2021	2020	**2021**	2020
	Notes	**€'000**	€'000	**€'000**	€'000
Capital and reserves attributable to owners of the company					
Share capital	12	**9,000**	9,000	**9,000**	9,000
Revaluation and other reserves	14, 15	**49,409**	49,409	**46,137**	46,137
Hedging reserve	16	**(206)**	(304)	**(206)**	(304)
Retained earnings		**61,451**	58,118	**59,493**	56,613
Total equity		**119,654**	116,223	**114,424**	111,446
Non-current liabilities					
Trade and other payables	22	**2,802**	456	**2,802**	456
Lease liabilities	19	**4,394**	4,965	**349**	500
Derivative financial instruments	17	**156**	273	**156**	273
Borrowings	18	**33,328**	32,994	**33,328**	32,994
Provisions for other liabilities and charges	21	**25**	36	**25**	36
Total non-current liabilities		**40,705**	38,724	**36,660**	34,259
Current liabilities					
Provisions for other liabilities and charges	21	**11**	50	**11**	50
Trade and other payables	22	**21,940**	20,760	**14,517**	12,896
Lease liabilities	19	**1,253**	1,426	**142**	134
Current tax liabilities		**904**	1,003	**–**	–
Derivative financial instruments	17	**161**	195	**161**	195
Borrowings	18	**2,411**	9,561	**2,411**	4,247
Total current liabilities		**26,680**	32,995	**17,242**	17,522
Total liabilities		**67,385**	71,719	**53,902**	51,781
Total equity and liabilities		**187,039**	187,942	**168,326**	163,227

The notes on pages 73 to 103 are an integral part of these consolidated financial statements.

The financial statements on pages 66 to 103 were authorised for issue by the board on 26 May 2021 and were signed on its behalf by:

Louis A. Farrugia
Chairman

Marcantonio Stagno d'Alcontres
Vice-Chairman

Norman Aquilina
Group Chief Executive

INCOME STATEMENTS

		Year ended 31 January			
		Group		Company	
		2021	2020	**2021**	2020
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	4	**73,016**	103,491	**41,391**	55,310
Cost of sales	23	**(47,004)**	(62,950)	**(23,028)**	(27,204)
Gross profit		**26,012**	40,541	**18,363**	28,106
Selling and distribution costs	23	**(8,912)**	(12,602)	**(6,689)**	(9,492)
Administrative expenses	23	**(11,427)**	(14,249)	**(6,910)**	(8,330)
Operating profit		**5,673**	13,690	**4,764**	10,284
Finance income	26	**–**	–	**25**	7
Finance costs	27	**(1,246)**	(1,370)	**(975)**	(1,096)
Profit before tax		**4,427**	12,320	**3,814**	9,195
Tax (expense)/income	28	**(1,094)**	(451)	**(934)**	706
Profit for the year		**3,333**	11,869	**2,880**	9,901
Basic and diluted earnings per share for the year attributable to shareholders	30	**€0.111**	€0.396		

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			
		Group		Company	
		2021	2020	**2021**	2020
	Note	**€'000**	€'000	**€'000**	€'000
Profit for the year		**3,333**	11,869	**2,880**	9,901
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	16	**98**	81	**98**	81
Other comprehensive income for the year		**98**	81	**98**	81
Total comprehensive income for the year attributable to equity shareholders		**3,431**	11,950	**2,978**	9,982

The notes on pages 73 to 103 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 2019		9,000	(385)	49,409	50,249	108,273
Comprehensive income						
Profit for the year		–	–	–	11,869	11,869
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	81	–	–	81
Total comprehensive income		–	81	–	11,869	11,950
Transactions with owners						
Dividends relating to 2019 and 2020						
– paid in cash	13	–	–	–	(4,000)	(4,000)
Total transactions with owners		–	–	–	(4,000)	(4,000)
Balance at 31 January 2020		**9,000**	**(304)**	**49,409**	**58,118**	**116,223**
Balance at 1 February 2020		9,000	(304)	49,409	58,118	116,223
Comprehensive income						
Profit for the year		–	–	–	3,333	3,333
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	98	–	–	98
Total comprehensive income		–	98	–	3,333	3,431
Balance at 31 January 2021		**9,000**	**(206)**	**49,409**	**61,451**	**119,654**

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 February 2019		9,000	(385)	46,137	50,712	105,464
Comprehensive income						
Profit for the year		–	–	–	9,901	9,901
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	81	–	–	81
Total comprehensive income		–	81	–	9,901	9,982
Transactions with owners						
Dividends relating to 2019 and 2020						
– paid in cash	13	–	–	–	(4,000)	(4,000)
Total transactions with owners		–	–	–	(4,000)	(4,000)
Balance at 31 January 2020		**9,000**	**(304)**	**46,137**	**56,613**	**111,446**
Balance at 1 February 2020		9,000	(304)	46,137	56,613	111,446
Comprehensive income						
Profit for the year		–	–	–	2,880	2,880
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	98	–	–	98
Total comprehensive income		–	98	–	2,880	2,978
Balance at 31 January 2021		**9,000**	**(206)**	**46,137**	**59,493**	**114,424**

The notes on pages 73 to 103 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2021	2020	**2021**	2020
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	31	**26,408**	17,047	**10,738**	12,890
Interest received		**–**	–	**3**	7
Interest paid on lease liabilities		**(224)**	(276)	**(7)**	(16)
Interest paid on borrowings		**(1,022)**	(1,094)	**(944)**	(1,081)
Income tax paid		**(618)**	(1,497)	**–**	–
Net cash generated from operating activities		**24,544**	14,180	**9,790**	11,800
Cash flows from investing activities					
Purchase of property, plant and equipment		**(10,138)**	(10,702)	**(9,008)**	(9,103)
Proceeds from disposal of property, plant and equipment		**155**	200	**120**	142
Institutional investment grants received		**2,500**	–	**2,500**	–
Additions to intangibles		**(33)**	(122)	**–**	–
Net cash used in investing activities		**(7,516)**	(10,624)	**(6,388)**	(8,961)
Cash flows from financing activities					
Proceeds from borrowings		**2,700**	1,300	**2,700**	1,300
Payments of current and non-current borrowings		**(2,997)**	(3,746)	**(2,997)**	(3,746)
Principal payments of lease liabilities		**(1,379)**	(1,033)	**(144)**	(138)
Dividends paid		**–**	(4,000)	**–**	(4,000)
Net cash used in financing activities		**(1,676)**	(7,479)	**(441)**	(6,584)
Net movement in cash and cash equivalents		**15,352**	(3,923)	**2,961**	(3,745)
Cash and cash equivalents at beginning of year		**1,796**	5,719	**(297)**	3,448
Cash and cash equivalents at end of year	11	**17,148**	1,796	**2,664**	(297)

The notes on pages 73 to 103 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

Standards, interpretations and amendments to published standards effective in 2021

In 2021, the Group and Company adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group and Company's accounting policies impacting the financial performance and position. Furthermore, the Group has adopted amendments to IFRS 16 issued in May 2020 in relation to Covid-19 related rent concessions. The impact of adoption of this amendment is further explained in Note 19.

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 2020. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1.2 Consolidation

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

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

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

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

A listing of the subsidiaries is set out in Note 37 to the financial statements.

1.3 Foreign currency translation

a. Functional and presentation currency

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

b. Transactions and balances

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

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

The Group periodically enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions (see Note 1.25).

1.4 Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 1.6).

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.

1.5 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).

1.6 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.

1.7 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 1.8. The results of associates are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

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

1.8 Financial assets

Classification

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

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

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

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

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

Recognition and measurement

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

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

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

Impairment

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

Expected credit loss model

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

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

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

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

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

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

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

Simplified approach model

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

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

1.9 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.

1.10 Trade and other receivables

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

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

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

1.11 Current and deferred tax

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

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

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

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

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

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

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

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 Financial liabilities

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

1.19 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.

1.20 Revenue recognition

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

a. Sale of goods and services

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

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

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

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

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

Sales of goods – wholesale

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

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

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

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

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

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

Sales of goods – retail

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

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

Sales of services

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

Financing

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

b. Property related income

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

c. Finance income

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

d. Dividend income

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

1.21 Leases

The group and company are the lessee

The Group leases various offices, warehouses and catering outlets. The Company leases warehouses. Rental lease and ground rent contracts are typically made for fixed periods of 4 years to 150 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may or may not be used as security for borrowing purposes.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

With effect from 1 February 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group and the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

a. fixed payments (including in-substance fixed payments), less any lease incentives receivable;

b. variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group and Company:

a. where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

b. uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and Company, where there is no third-party financing; and

c. makes adjustments specific to the lease.

The Group and Company are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right–of–use asset. Lease payments are allocated between principal and finance cost. 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.

Right–of–use assets are measured at cost comprising the following:

a. the amount of the initial measurement of lease liability;

b. any lease payments made at or before the commencement date less any lease incentives received; and

c. any initial direct costs.

Right–of–use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight–line basis.

Payments associated with short–term leases of equipment and vehicles and all leases of low–value assets are recognised on a straight–line basis as an expense in profit or loss. Short–term leases are leases with a lease term of 12 months or less.

Variable lease payments

Some Group property leases contain variable payment terms that are linked to sales generated from the outlet. For individual outlets, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 6.5% to 8.5% of sales. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. A 10% increase in sales across all outlets in the Group with such variable lease contracts would increase total lease payments by approximately €65,000 (2020: €74,000).

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

a. If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);

b. If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);

c. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 January 2021, potential future cash outflows of €8,020,000 (undiscounted) on Group leases have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

1.22 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.

1.23 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.

1.24 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.

1.25 Derivative financial instruments

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

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

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

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

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

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

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

a. Fair value hedge

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

b. Cash flow hedge

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

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

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

1.26 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 interest rate swap agreements to hedge certain risk exposures during the current and preceding financial years. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors.

a. Market risk

i. Foreign exchange risk

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

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

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

ii. Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to Note 18), 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 unsecured bonds which are carried at amortised cost (refer to Note 18), and therefore do not expose the Group to cash flow and fair value interest rate risk.

The Group entered into interest-rate swap agreements, with respect to loans which have significant exposure to cash flow interest rate risk arises in respect of interest payments relating to borrowings amounting to €7.4million (2020: €9.4million) that are subject to interest at floating rates linked to Euribor. These swap agreements provide a cash flow hedging relationship in respect of variability of future floating interest payments. These agreements cover interest payments on the total amount of these borrowings. Accordingly, this hedging instrument has been designated as cash flow hedges on the interest rate risk, that is, volatility in floating interest amounts. Up to the reporting date, the Group did not have any hedging arrangements with respect to the exposure of interest rate risk on other interest-bearing liabilities.

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

b. Credit risk

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Financial assets measured at amortised cost				
Trade and other receivables	**16,162**	23,637	**22,233**	18,163
Cash and cash equivalents (Note 11)	**17,148**	8,409	**2,664**	1,002
	33,310	32,046	**24,897**	19,165

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

Security

For trade and other receivables amounting to €1.7million, the Group may obtain security in the form of guarantees and deeds of undertaking or letters of credit which can be called on if the counterparty is in default under the terms of the agreement.

Trade and other receivables

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

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

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

Impairment of trade receivables

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

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

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. The Group has in this respect taken a view of a worsened forward-looking loss rate compared to historical loss rates in its evaluation of the uncertainty generated by Covid-19 pandemic on the economic reality of the Group's receivables.

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

- An expected loss rate ranging from 0.09% to 3.18% (2020: ranging from 0.35% to 1.84%) on all credit sales generated in the preceding twenty-four months prior to 31 January resulting in a loss allowance of €2,189,000 (2020: €1,454,000) for the Group and €1,508,000 (2020: €823,000) for the Company.
- An expected loss rate of 100% on all outstanding dues generated before the preceding twenty-four months prior to 31 January (i.e. all trade receivables exceeding two years) resulting in a loss allowance of €1,777,000 (2020: €1,867,000) for the Group and €787,000 (2020: €933,000) for the Company.

Impairment of other receivables

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

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

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

- An expected loss rate averaging at 3.2% (2020: 2.4%) on all trade loans granted within contract terms classified under stages 1 and 2 resulting in a loss allowance of €1,370,000 (2020: €412,000).
- An expected loss rate of 100% on all outstanding dues on trade loans that exceeded the credit terms granted by the Group and Company and hence classified under stage 3 resulting in a loss allowance of €930,000 (2020: €745,000).

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
	Expected loss model	Expected loss model	**Expected loss model**	Expected loss model
Trade receivables				
Balance at 1 February	**3,322**	2,675	**1,756**	1,360
Movement in loss allowance recognised in profit or loss during the year	**644**	647	**539**	396
Balance at 31 January	**3,966**	3,322	**2,295**	1,756
Other receivables				
Balance at 1 February	**1,157**	1,136	**1,157**	1,136
Movement in loss allowance recognised in profit or loss during the year	**1,143**	21	**1,143**	21
Balance at 31 January	**2,300**	1,157	**2,300**	1,157
Total loss allowance as at year end	**6,266**	4,479	**4,595**	2,913

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

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to honour a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 36 months past due.

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

As at 31 January 2021, outstanding Group trade receivables of less than two years amounting to €18,360,000 (2020: €18,790,000) have an allocated loss allowance of €2,189,000 (2020: €1,454,000). Outstanding Group trade receivables of more than two years amounting to €1,777,000 (2020: €1,867,000) were fully provided.

As at 31 January 2021, outstanding Company trade receivables of less than two years amounting to €9,670,000 (2020: €11,866,000) have an allocated loss allowance of €1,508,000 (2020: €823,000). Outstanding Company trade receivables of more than two years amounting to €787,000 (2020: €933,000) were fully provided.

As at 31 January 2021, outstanding trade loan receivables not overdue amounting to €3,203,000 (2020: €4,107,000) have an allocated loss allowance of €1,370,000 (2020: €412,000). Outstanding trade loan receivables overdue amounting to €930,000 (2020: €745,000) were fully provided.

Cash and cash equivalents

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

Amounts due from subsidiaries

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

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

Derivative financial instruments

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

c. Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade and other payables (refer to Notes 18 and 22). 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 2021					
Borrowings	**35,739**	**41,706**	**3,519**	**14,097**	**24,090**
Lease liabilities	**5,647**	**7,644**	**1,436**	**3,080**	**3,128**
Trade and other payables	**24,472**	**24,472**	**21,368**	**3,104**	**–**
	65,858	**73,822**	**26,323**	**20,281**	**27,218**
31 January 2020					
Borrowings	42,555	49,196	10,704	12,408	26,084
Lease liabilities	6,391	8,414	1,632	3,791	2,991
Trade and other payables	20,606	20,606	20,167	439	–
	69,552	78,216	32,503	16,638	29,075

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€'000	€'000	€'000	€'000	€'000
COMPANY					
31 January 2021					
Borrowings	**35,739**	**41,706**	**3,519**	**14,097**	**24,090**
Lease liabilities	**491**	**1,108**	**161**	**184**	**763**
Trade and other payables	**17,319**	**17,319**	**14,215**	**3,194**	**–**
	53,549	**60,133**	**17,895**	**17,475**	**24,853**
31 January 2020					
Borrowings	37,241	43,883	5,391	12,408	26,084
Lease liabilities	634	1,272	151	351	770
Trade and other payables	12,742	12,742	12,303	439	–
	50,617	57,897	17,845	13,198	26,854

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	Total
	€'000	€'000	€'000
Group and Company			
31 January 2021			
Interest rate derivative			
– Interest-rate swap	**161**	**156**	**317**
31 January 2020			
Interest rate derivative			
– Interest-rate swap	195	273	468

2.2 Capital risk management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings (including lease liabilities) divided by total capital. The Group and Company consider total capital to be equity and total net borrowings.

Total borrowings include unsecured bonds issued by the Company. The gearing ratios at 31 January 2021 and 2020 were as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Total borrowings (Notes 18 and 19)	**41,386**	48,946	**36,230**	37,875
Less cash at hand and in bank (Note 11)	**(17,148)**	(8,409)	**(2,664)**	(1,002)
	24,238	40,537	**33,566**	36,873
Total equity	**119,654**	116,223	**114,424**	111,446
Total equity and net borrowings	**143,892**	156,760	**147,990**	148,319
Gearing	**16.84%**	25.86%	**22.68%**	24.86%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2021 and 2020 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).

	2021 Level 2	2020 Level 2
	€'000	€'000
Group and Company		
Liabilities		
Interest rate derivative		
– Interest-rate swap	**317**	468

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, 17 and 20 and accounting policy 1.21 are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Segment information

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

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

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

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

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

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

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

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	**Group**
	€'000	€'000	€'000	**€'000**
2021				
Revenue	43,128	25,990	11,716	**80,834**
Less: inter-segmental sales	(1,569)	(6,249)	–	**(7,818)**
	41,559	19,741	11,716	**73,016**
Segment results	4,873	(366)	1,166	**5,673**
Net finance costs				**(1,246)**
Profit before tax				**4,427**
Tax expense				**(1,094)**
Profit for the year				**3,333**
Segment assets	142,434	22,111	9,398	**173,943**
Unallocated assets				**13,096**
Total assets				**187,039**
Segment liabilities	18,459	3,273	3,363	**25,095**
Unallocated liabilities				**42,290**
Total liabilities				**67,385**
Additions to non-current assets	9,208	259	671	**10,138**
Depreciation	6,804	292	718	**7,814**
Amortisation	32	–	41	**73**
Depreciation on right-of-use assets	–	–	–	**1,405**
Impairment provision for trade receivables	1,682	105	–	**1,787**

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	**Group**
	€'000	€'000	€'000	**€'000**
2020				
Revenue	57,404	35,789	17,929	**111,122**
Less: inter-segmental sales	(2,335)	(5,310)	14	**(7,631)**
	55,069	30,479	17,943	**103,491**
Segment results	10,464	1,601	1,625	**13,690**
Net finance costs				**(1,370)**
Profit before tax				**12,320**
Tax expense				**(451)**
Profit for the year				**11,869**
Segment assets	142,027	21,428	10,132	**173,587**
Unallocated assets				**14,355**
Total assets				**187,942**
Segment liabilities	14,977	3,861	2,932	**21,770**
Unallocated liabilities				**49,949**
Total liabilities				**71,719**
Additions to non-current assets	9,168	1,165	369	**10,702**
Depreciation	6,841	231	724	**7,796**
Amortisation	32	–	44	**76**
Depreciation on right-of-use assets	–	–	–	**1,327**
Impairment provision for trade receivables	417	251	–	**668**

5. Property, plant and equipment

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
At 1 February 2019				
Cost or valuation	84,688	1,022	141,424	227,134
Accumulated depreciation and impairment	(3,293)	–	(107,121)	(110,414)
Net book amount	81,395	1,022	34,303	116,720
Year ended 31 January 2020				
Opening net book amount	81,395	1,022	34,303	116,720
Additions and commissioned assets	729	2,839	7,134	10,702
Disposals	–	–	(1,357)	(1,357)
Depreciation	(1,503)	–	(6,293)	(7,796)
Depreciation released on disposals	–	–	1,357	1,357
Closing net book amount	**80,621**	**3,861**	**35,144**	**119,626**
At 1 February 2020				
Cost or valuation	85,417	3,861	147,201	236,479
Accumulated depreciation and impairment	(4,796)	–	(112,057)	(116,853)
Net book amount	**80,621**	**3,861**	**35,144**	**119,626**
Year ended 31 January 2021				
Opening net book amount	80,621	3,861	35,144	119,626
Additions and commissioned assets	1,007	5,516	3,615	10,138
Disposals	–	–	(663)	(663)
Depreciation	(1,474)	–	(6,340)	(7,814)
Depreciation released on disposals	–	–	657	657
Closing net book amount	**80,154**	**9,377**	**32,413**	**121,944**
At 31 January 2021				
Cost or valuation	86,424	9,377	150,153	245,954
Accumulated depreciation and impairment	(6,270)	–	(117,740)	(124,010)
Net book amount	**80,154**	**9,377**	**32,413**	**121,944**

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
COMPANY				
At 1 February 2019				
Cost or valuation	80,321	1,016	120,332	201,669
Accumulated depreciation and impairment	(3,652)	–	(88,827)	(92,479)
Net book amount	76,669	1,016	31,505	109,190
Year ended 31 January 2020				
Opening net book amount	76,669	1,016	31,505	109,190
Additions and commissioned assets	274	2,839	5,990	9,103
Disposals	–	–	(631)	(631)
Depreciation	(1,297)	–	(5,437)	(6,734)
Depreciation released on disposals	–	–	631	631
Closing net book amount	**75,646**	**3,855**	**32,058**	**111,559**
At 1 February 2020				
Cost or valuation	80,595	3,855	125,691	210,141
Accumulated depreciation and impairment	(4,949)	–	(93,633)	(98,582)
Net book amount	**75,646**	**3,855**	**32,058**	**111,559**
Year ended 31 January 2021				
Opening net book amount	75,646	3,855	32,058	111,559
Additions and commissioned assets	1,003	4,990	3,015	9,008
Disposals	–	–	(427)	(427)
Depreciation	(1,239)	–	(5,462)	(6,701)
Depreciation released on disposals	–	–	424	424
Closing net book amount	**75,410**	**8,845**	**29,608**	**113,863**
At 31 January 2021				
Cost or valuation	81,598	8,845	128,279	218,722
Accumulated depreciation and impairment	(6,188)	–	(98,671)	(104,859)
Net book amount	**75,410**	**8,845**	**29,608**	**113,863**

Assets in course of construction mainly relate to works carried out during the financial year 2020 and 2021, on the old brewhouse project and other minor manufacturing related projects.

Bank borrowings are secured by the Group's and Company's property, plant and equipment (Note 18).

Fair value of property

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

As at 31 January 2021, the Group's land and buildings within property, plant and equipment, comprise properties including the Company's brewery and related operational and warehousing facilities, commercial property and property earmarked to compliment the Group's operational activity.

The property valuations as at 31 January 2021 are based on the directors' value assessment performed using a variety of methods, including the adjusted sales comparison approach, the discounted projected cash flows approach, and capitalised rentals approach. Each property was valued by taking into consideration the external valuations prepared by independent chartered architectural firms as at 31 January 2017 and using the method considered by the external valuers to be the most appropriate valuation method for that type of property. The directors have reassessed the property's valuation in view of the Covid-19 pandemic and resulting restrictions on the hospitality industry, as mandated by the Health Authorities, which have significantly impacted the Group's and Company's operations. The 2021 valuation reassessment was primarily based on revised projected income streams which take into consideration a lower business activity in the next few years, until reaching the normal level of business and assumed normality in the medium term. The directors are of the opinion that the carrying amount of property, plant and equipment as at 31 January 2021, does not differ materially from that which would be determined using fair values that take account of the above considerations.

All the recurring property fair value measurements at 31 January 2021 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 2021.

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

Valuation processes

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

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

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

Valuation techniques

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

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

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

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

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

Description by class	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs
	€'000			€
As at 31 January 2021				
Current use as manufacturing or related premises	75,384	Discounted cash flow approach	Discount rate	8%
Current use as commercial premises	1,570	Discounted cash flow approach	Rental rate per square metre	150 – 400
Developable land for mixed use/commercial use	3,200	Sales comparison approach	Sales price per cubic metre	175 – 250
As at 31 January 2020				
Current use as manufacturing or related premises	61,605	Discounted cash flow approach	Discount rate	8%
Current use as commercial premises	1,570	Discounted cash flow approach	Rental rate per square metre	150 – 400
Developable land for mixed use/commercial use	17,446	Sales comparison approach	Sales price per cubic metre	175 – 250
		Capitalised rentals approach	Rental rate per square metre	120 – 130

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

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

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

As at 31 January 2021, the carrying amount of land and buildings would have been €41,389,000 (2020: €41,858,000) 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 23 are included in the income statements as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Cost of sales	**5,046**	5,004	**4,269**	4,214
Selling and distribution costs	**1,498**	1,615	**1,356**	1,463
Administration expenses	**1,270**	1,177	**1,076**	1,057
	7,814	7,796	**6,701**	6,734

6. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	Group	
	As at 31 January	As at 31 January
	2021	2020
	€'000	€'000
Land & Buildings		
Opening net book value	**6,159**	7,486
Additions	**772**	–
Depreciation charge	**(1,405)**	(1,327)
Closing net book value	**5,526**	6,159

	Company	
	As at 31 January 2021	As at 31 January 2020
	€'000	€'000
Land & Buildings		
Opening net book value	**188**	190
Depreciation charge	**(1)**	(2)
Closing net book value	**187**	188

7. Intangible assets

	Goodwill	Franchise & agency rights	Total
	€'000	€'000	€'000
GROUP			
At 1 February 2019			
Cost	1,058	4,985	6,043
Accumulated amortisation and impairment	(775)	(4,734)	(5,509)
Net book amount	283	251	534
Year ended 31 January 2020			
Opening net book amount	283	251	534
Additions	–	122	122
Amortisation	–	(44)	(44)
Closing net book amount	**283**	**329**	**612**
At 1 February 2020			
Cost	1,058	5,107	6,165
Accumulated amortisation and impairment	(775)	(4,778)	(5,553)
Net book amount	**283**	**329**	**612**
Year ended 31 January 2021			
Opening net book amount	283	329	612
Additions	-	33	33
Amortisation	-	(41)	(41)
Closing net book amount	**283**	**321**	**604**
At 31 January 2021			
Cost	1,058	5,140	6,198
Accumulated amortisation and impairment	(775)	(4,819)	(5,594)
Net book amount	**283**	**321**	**604**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Amortisation of €41,000 (2020: €44,000) 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:

	2021	2020
	€'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 2021, 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.

8. Investments in subsidiaries

	Company	
	2021	2020
	€'000	€'000
Year ended 31 January		
Opening net book amount	**9,202**	9,535
Write-off of investment	**–**	(333)
Closing net book amount	**9,202**	9,202
At 31 January		
Cost	**13,283**	13,283
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**9,202**	9,202

The principal subsidiaries at 31 January 2021 all of which are unlisted, are disclosed in Note 37 to these financial statements.

9. Inventories

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**2,941**	3,896	**2,647**	3,495
Finished goods and goods for resale	**7,137**	9,303	**2,246**	2,665
Containers and other stocks	**3,674**	3,573	**3,370**	3,265
	13,752	16,772	**8,263**	9,425

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Cost of sales	**502**	478	**239**	321
Selling, distribution and administrative expenses	**118**	108	**118**	108
	620	586	**357**	429

10. Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**865**	1,695	**865**	1,695
Current				
Trade receivables	**12,543**	18,118	**6,692**	10,023
Amounts due from subsidiaries	**–**	–	**12,989**	4,007
Indirect taxation	**98**	22	**–**	–
Other receivables and advanced deposits	**6,164**	7,541	**4,381**	5,660
Prepayments and accrued income	**825**	788	**765**	1,024
	19,630	26,469	**24,827**	20,714
Total trade and other receivables	**20,495**	28,164	**25,692**	22,409

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**6,266**	4,479	**4,595**	2,913

The impairment provision for trade and other receivables is disclosed in Note 23 and is included under administrative expenses in the income statements.

Included in other receivables are advanced deposits on non-current assets not yet commissioned as at year end amounting to €2,809,000 (2020: €3,222,000).

Amounts due to the Company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €654,000 (2020: €310,000) which are subject to an average interest rate of 3.5% (2020: 3.5%). 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.

11. 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	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**17,148**	8,409	**2,664**	1,002
Bank overdrafts (Note 18)	**–**	(6,613)	**–**	(1,299)
	17,148	1,796	**2,664**	(297)

12. Share capital

	Company	
	2021	2020
	€'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

13. Dividends paid

	Company	
	2021	2020
	€'000	€'000
Interim dividend	**–**	1,000
Final dividend	**–**	3,000
Dividends paid in cash	**–**	4,000
Total net dividend	**–**	4,000
Euro per share (net)	**–**	€0.13

In the normal course of events, the Board would propose the payment of a final dividend for consideration at the forth-coming Annual General Meeting. However, as disclosed in the Directors' Report, due to the current environment, the Board has reluctantly concluded that in the long-term interest of the business it would not be prudent to propose a final dividend for the financial year ended 31 January 2021 to the forth-coming Annual General Meeting.

The final dividend of €3,000,000 in respect of the financial year ended 31 January 2019 (and paid during the year ended 31 January 2020) was declared on 24 June 2019. These final dividends were paid out of tax-exempt profits. The Board declared an interim dividend of €1,000,000 in respect of the financial year ended 31 January 2020 which was paid to shareholders on 16 October 2019.

14. Revaluation reserve

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Revaluation on property, plant and equipment				
At beginning of year, before deferred tax	**38,763**	38,763	**37,933**	37,933
Deferred taxation (Note 20)	**(4,917)**	(4,917)	**(4,062)**	(4,062)
At 31 January	**33,846**	33,846	**33,871**	33,871

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.

15. Other reserves

	Share premium	Other unrealised reserve	Incentives and benefits reserve	Capital redemption reserve	Total
	€'000	€'000	€'000	€'000	€'000
GROUP					
At 31 January 2020 and 31 January 2021	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
COMPANY					
At 31 January 2020 and 31 January 2021	**2,078**	**210**	**2,515**	**7,463**	**12,266**

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

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

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

16. 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:

	Interest rate swap
	€'000
GROUP AND COMPANY	
At 31 January 2019	
Gross amounts of losses	592
Deferred taxes (Note 20)	(207)
	385
Movement for the year ended 31 January 2020	
Losses from changes in fair value	70
Deferred taxes (Note 20)	(25)
	45
Transferred to statement of comprehensive income (Note 27)	(194)
Deferred taxes (Note 20)	68
	(126)
At 31 January 2020	
Gross amounts of losses	468
Deferred taxes (Note 20)	(164)
	304
Movement for the year ended 31 January 2021	
Losses from changes in fair value	25
Deferred taxes (Note 20)	(9)
	16
Transferred to statement of comprehensive income (Note 27)	(175)
Deferred taxes (Note 20)	62
	(113)
At 31 January 2021	
Gross amounts of losses	318
Deferred taxes (Note 20)	(112)
	206

The net fair value losses recognised in equity at 31 January 2021 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.

17. 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 2021	
Interest rate derivative – interest-rate swap	**317**
Total recognised derivative liabilities	**317**
At 31 January 2020	
Interest rate derivative – interest-rate swap	468
Total recognised derivative liabilities	468

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

	2021	2020
	€'000	€'000
DERIVATIVES FINANCIAL LIABILITIES		
Non-current	**156**	273
Current	**161**	195
	317	468

(a) Interest rate derivatives

During the financial year ended 31 January 2015, the Company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €12.4million matching the principal amount of an equal value specific bank loan. As at the end of the reporting period date, this contract is designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract. Under the interest rate swap arrangement, the Company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 1.82% with variable interest amounts receivable based on the 3-month floating Euribor rate. The derivative expires in 2024, thus matching with the terms of the loan.

During the financial year ended 31 January 2011, the Company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €10million matching the principal amount of an equal value specific loan. As at year end, the remaining unpaid portion of this loan amounted to €500,000. Under the interest rate swap arrangement, the Company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 2.74% with variable interest amounts receivable based on the 3-month floating Euribor rate. The derivative expired in 2020, thus matching with the terms of the loan.

Gains and losses recognised in the hedging reserve in equity (Note 16) on the interest rate swap contracts as of 31 January 2021 will be released to the income statements over the period until maturity of the contracts.

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.

18. Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Non-current				
Bonds	**19,785**	19,753	**19,785**	19,753
Bank loans	**13,543**	13,241	**13,543**	13,241
	33,328	32,994	**33,328**	32,994
Current				
Bank overdrafts	**-**	6,613	**-**	1,299
Bank loans	**2,411**	2,948	**2,411**	2,948
	2,411	9,561	**2,411**	4,247
Total borrowings	**35,739**	42,555	**35,739**	37,241

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Face value of bonds				
3.5% Bonds 2017 – 2027	**20,000**	20,000	**20,000**	20,000
	20,000	20,000	**20,000**	20,000
Issue costs	**305**	305	**305**	305
Accumulated amortisation	**(90)**	(58)	**(90)**	(58)
Net book amount	**215**	247	**215**	247
Amortised cost	**19,785**	19,753	**19,785**	19,753

By virtue of an offering memorandum dated 31 July 2017, the Company issued €20million Bonds (2017-2027), having a nominal value of €100 each, bearing interest at the rate of 3.5% per annum.

These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 31 July 2017. The quoted market price as at 31 January 2021 for the 3.5% Bonds 2017 – 2027 was €105.53.

The Group's and the Company's banking facilities as at 31 January 2021 and 2020 amounted to €41,285,000 and €45,727,000 for the Group, and €32,954,000 and €37,396,000 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	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
At floating rates	**15,954**	22,617	**15,954**	17,303
At fixed rates	**19,785**	19,938	**19,785**	19,938
Total borrowings	**35,739**	42,555	**35,739**	37,241

Certain borrowings at floating rates which interest rate is computed using a margin over the 3 month Euribor rate, are hedged through interest rate swap agreements (Note 17).

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

	Group		Company	
	2021	2020	**2021**	2020
	%	%	**%**	%
Bank overdrafts	**–**	3.25	**–**	3.98
Bank loans	**1.35**	1.94	**1.35**	1.94
Bonds	**3.50**	3.50	**3.50**	3.50

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.

19. Lease liabilities

	Group	
	As at 31 January	As at 31 January
	2021	2020
	€'000	€'000
Non-current		
Land & Buildings	**4,227**	4,655
Plant, machinery & equipment	**167**	310
	4,394	4,965
Current		
Land & Buildings	**1,121**	1,292
Plant, machinery & equipment	**132**	134
	1,253	1,426
Total lease liabilities	**5,647**	6,391

	Company	
	As at 31 January	As at 31 January
	2021	2020
	€'000	€'000
Non-current		
Land & Buildings	**182**	190
Plant, machinery & equipment	**167**	310
	349	500
Current		
Land & Buildings	**8**	–
Plant, machinery & equipment	**134**	134
	142	134
Total lease liabilities	**491**	634

	Group	
	As at 31 January	As at 31 January
	2021	2020
	€'000	€'000
Land & buildings		
At beginning of the year	**5,947**	7,182
Additions	**772**	–
Interest payments	**214**	259
Principal payments	**(1,447)**	(1,155)
Other movements	**(140)**	(339)
At end of year	**5,346**	5,947

	Company	
	As at 31 January	As at 31 January
	2021	2020
	€'000	€'000
Land & buildings		
At beginning of the year	**190**	190
Interest payments	**7**	7
Principal payments	**(8)**	(7)
At end of year	**189**	190

	Group and Company	
	As at 31 January	As at 31 January
	2021	2020
	€'000	€'000
Plant, machinery & equipment		
At beginning of the year	**444**	582
Interest payments	**10**	16
Principal payments	**(153)**	(154)
At end of year	**301**	444

Included in the lease liabilities for land & buildings of the Group are amounts of €400,000 (2020: €1,092,000) which are attributable arrangements with a related party.

The contractual undiscounted cash flows attributable to lease liabilities as at 31 January are analysed in Note 2.1(c).

As a result of the Covid-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 - Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The Group has applied this practical expedient for all qualifying lease concessions and, as a result, has accounted for such concessions as variable lease payments in the period in which they are granted.

The incremental borrowing rates at the end of the reporting period were as follows:

	Group		Company	
	2021	2020	**2021**	2020
	%	%	**%**	%
Land & buildings	**4**	4	**4**	4
Plant & machinery	**2.3**	2.3	**2.3**	2.3

20. Deferred taxation

The movement in the deferred tax account is as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
At beginning of year	**(8,195)**	(7,446)	**(9,442)**	(8,779)
Debited/(credited) to income statements (Note 28)	**577**	(792)	**934**	(706)
Net tax effect of re-measurement of derivatives	**53**	43	**53**	43
At end of year	**(7,565)**	(8,195)	**(8,455)**	(9,442)

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% (2020: 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% (2020: 8% or 10%) of the transfer value.

The manufacturing arm of the Group has been availing itself of investment aid under the various investment tax credit schemes that were applicable until 30 June 2014. In view of the fact that the investment tax credit schemes have become more restrictive in respect of large undertakings and taking into consideration the Covid-19 impacts on future profitability, the group and company have reviewed the extent to which the related deferred tax may be utilised in the foreseeable future. As a result of such assessment, a release of deferred tax assets on these investment tax credits amounting to €1,825,000 has been made in the current year.

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 €1,330,000 (2020: €1,520,000).

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 2019	3,947	(15,185)	271	1	4,917	(1,397)	(7,446)
Income statements	(562)	–	–	–	–	(230)	(792)
Equity	–	–	43	–	–	–	43
At 31 January 2020	**3,385**	**(15,185)**	**314**	**1**	**4,917**	**(1,627)**	**(8,195)**
At 1 February 2020	3,385	(15,185)	314	1	4,917	(1,627)	(8,195)
Income statements	(502)	1,825	–	(130)	–	(616)	577
Equity	–	–	53	–	–	–	53
At 31 January 2021	**2,883**	**(13,360)**	**367**	**(129)**	**4,917**	**(2,243)**	**(7,565)**
COMPANY							
At 1 February 2019	3,925	(15,185)	(208)	–	4,062	(1,373)	(8,779)
Income statements	(564)	–	–	–	–	(142)	(706)
Equity	–	–	43	–	–	–	43
At 31 January 2020	**3,361**	**(15,185)**	**(165)**	**–**	**4,062**	**(1,515)**	**(9,442)**
At 1 February 2020	3,361	(15,185)	(165)	–	4,062	(1,515)	(9,442)
Income statements	(320)	1,825	–	–	–	(571)	934
Equity	–	–	53	–	–	–	53
At 31 January 2021	**3,041**	**(13,360)**	**(112)**	**–**	**4,062**	**(2,086)**	**(8,455)**

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 2021, the Group and the Company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Unutilised tax credits	**26,222**	54,534	**26,222**	54,534

Whereas tax losses have no expiry date, unabsorbed capital allowances and other tax credits are forfeited upon cessation of trade. The Group and the Company has unrecognised tax credits in the form of investment tax credits of €26,221,000 (2020: €54,534,000). As at 31 January 2020, the Group and the Company had unrecognised tax credits relating to conversion tax credits amounting to €28,038,000 which expired in 2020. The unrecognised investment tax credits of €26,221,000 as at 31 January 2021, have no expiry date.

21. Provisions for other liabilities and charges

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Termination benefit provisions				
At 1 February	**86**	96	**86**	96
Charged to profit and loss	**13**	92	**13**	92
Utilised during the year	**(63)**	(102)	**(63)**	(102)
At 31 January	**36**	86	**36**	86

The Group and 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 2021 total €13,000 while for 2020 total €92,000 (Note 23). It is anticipated that €25,000 (2020: €50,000) of the provision will be paid during the financial year ending 31 January 2021.

22. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Non-current				
Capital and other payables	**2,802**	456	**2,802**	456
Current				
Trade payables	**5,307**	7,359	**1,657**	2,766
Capital and other payables	**2,840**	2,612	**2,820**	2,589
Amounts due to subsidiaries	**–**	–	**300**	–
Amounts owed to related parties	**–**	–	**–**	25
Indirect taxes and social security	**5,601**	2,439	**3,860**	1,796
Accruals and deferred income	**8,192**	8,350	**5,880**	5,720
	21,940	20,760	**14,517**	12,896
Total trade and other payables	**24,742**	21,216	**17,319**	13,352

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 2.

As at 31 January 2021, capital and other payables include institutional grants amounting to €2,956,000 (2020: €610,000) relating to funds advanced directly by the Government of Malta or other institutions to the Group, co-financing its capital expenditure on certain items of property, plant and equipment. The non-current portion of deferred institutional grants amounted to €2,802,000 (2020: €456,000). 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.

From time to time, claims and contestations arise the eventual outcome of which cannot be fully established. As at 31 January 2021, accruals and deferred income include an amount of €1.3 million (2020: €872,288) in respect of past and present operations which may give rise to future cash outflows. This amount is an estimate of the potential outcome based on a best assessment of known risks together with the uncertainty of the timing of any eventual cash outflows. Refer to Note 33.

23. Expenses by nature

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (Note 5)	**7,814**	7,796	**6,701**	6,734
Depreciation of right-of-use assets (Note 6)	**1,405**	1,327	**1**	2
Profit on disposal of property, plant and equipment (Note 5)	**(149)**	(200)	**(120)**	(142)
Employee benefit expense (Note 24)	**15,323**	20,900	**8,984**	11,499
Termination benefits (Note 24)	**13**	92	**13**	92
Raw materials, imported goods and consumables	**33,361**	45,419	**10,067**	12,175
Movement in inventory levels of finished goods and work in progress (Note 9)	**(2,166)**	381	**(419)**	(309)
Movement in loss allowance (net of receivable write offs) (Note 10)	**1,787**	668	**1,682**	417
Amortisation of intangible assets (Note 7)	**41**	44	**-**	–
Other expenses	**9,914**	13,374	**9,718**	14,558
Total cost of sales, selling and distribution costs and administrative expenses	**67,343**	89,801	**36,627**	45,026

Operating profit is stated after crediting deferred institutional grants amounting to €154,000 (2020: €154,000), which are included in 'Cost of sales'.

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2021 and 2020 relate to the following:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**157**	158	**87**	89
Other assurance services	**8**	8	**8**	8
Tax advisory and compliance services	**18**	20	**13**	15
Other non-assurance services	**14**	9	**13**	9
	197	195	**121**	121

24. Employee benefit expense

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Wages and salaries	**13,994**	19,518	**9,583**	12,327
Social security costs	**1,277**	1,330	**816**	835
Other employee related costs	**52**	52	**52**	52
	15,323	20,900	**10,451**	13,214
Recharged to subsidiaries	**–**	–	**(1,467)**	(1,715)
	15,323	20,900	**8,984**	11,499
Termination benefits	**13**	92	**13**	92
	15,336	20,992	**8,997**	11,591

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

	Group		Company	
	2021	2020	**2021**	2020
Brewing, production and sale of branded beers and beverages	**467**	492	**449**	474
Importation, wholesale and retail of food and beverages, including wines and spirits	**95**	97	**–**	–
Operation of franchised food retailing establishments	**228**	271	**–**	–
	790	860	**449**	474

Employee benefit expense for financial year 2021 above amounting to €15.3 million (Company €9 million) is stated net of the Covid-19 wage supplement paid by the Government of Malta to the Group to support the payment of employees' wages and salaries amounting to €3.2 million (Company €1.5 million).

25. Net exchange differences

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**27**	47	**(11)**	26

26. Finance income

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Interest on amounts owed by subsidiaries	**–**	–	**25**	7

27. Finance costs

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Interest on bank loans and overdrafts	**361**	474	**293**	468
Interest rate subsidy	**(237)**	(289)	**(237)**	(289)
Lease interest	**224**	275	**17**	23
Interest on bonds	**700**	700	**700**	700
Fair value loss on derivative financial instruments	**175**	194	**175**	194
Other finance costs	**23**	16	**27**	–
	1,246	1,370	**975**	1,096

During the year ended 31 January 2021, the Company was granted net interest subsidy amounting to €237,000 (2020: €289,000) from Malta Enterprise related to approved investment loans of €7.4 million (2020: €9.1 million). A net effective interest rate of 0.84% (2020: 0.99%) 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.

28. Tax expense/ (income)

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Current tax expense	**517**	1,243	**–**	–
Deferred tax income (Note 20)	**577**	(792)	**934**	(706)
Tax expense/(income)	**1,094**	451	**934**	(706)

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	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Profit before tax	**4,427**	12,320	**3,814**	9,195
Tax on profit at 35%	**1,549**	4,312	**1,335**	3,218
Tax effect of:				
Benefits available under the Business Promotion Act, comprising tax credits and allowances	**–**	(2,731)	**–**	(2,731)
Movements in unrecognised deferred tax assets	**(28,312)**	(2,483)	**(28,312)**	(2,483)
Tax effect of expired unrecognised conversion tax credits	**28,038**	–	**28,038**	–
(Over)/under provision in unrecognised and recognised deferred tax related to prior years	**(83)**	1,430	**-**	1,432
Non-taxable income or allowable expenses	**(98)**	(77)	**(127)**	(142)
Tax expense/(income)	**1,094**	451	**934**	(706)

The movement in unrecognised deferred tax assets shown above arose from the expiry of certain conversion tax credits on 31 December 2020, refer to Note 20.

29. Directors' emoluments

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**237**	238	**237**	238
Salaries	**83**	108	**83**	108
Other emoluments	**259**	347	**259**	347
Total directors' remuneration	**579**	693	**579**	693

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.

30. 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	
	2021	2020
Profit attributable to shareholders (€'000)	**3,333**	11,869
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	**€0.111**	€0.396

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

31. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Operating profit	**5,673**	13,690	**4,764**	10,284
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	**7,814**	7,796	**6,701**	6,734
Depreciation of right-of-use assets (Note 6)	**1,405**	1,327	**1**	2
Profit on disposal of property, plant and equipment (Note 23)	**(149)**	(200)	**(120)**	(142)
Rent rebates	**(138)**	–	**–**	–
Amortisation of intangible assets (Note 7)	**41**	44	**–**	–
Amortisation of institutional grant (Note 23)	**(154)**	(154)	**(154)**	(154)
Amortisation of bond issue costs (Note 18)	**32**	32	**32**	32
Increase/(decrease) in provision for impairment of trade and other receivables (Note 10)	**(1,787)**	668	**1,682**	417
Provision for termination benefits (Note 21)	**(13)**	92	**13**	92
	16,324	23,295	**12,919**	17,265
Changes in working capital:				
Inventories	**3,020**	(1,607)	**1,162**	(893)
Trade and other receivables	**5,882**	(5,927)	**(4,675)**	(4,119)
Trade and other payables	**1,182**	1,286	**1,332**	637
Cash generated from operations	**26,408**	17,047	**10,738**	12,890

Net debt reconciliation

All the movements in the Company's net debt (bank and bond borrowings net of cash and cash equivalents) related only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 72.

32. Commitments

Capital commitments

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**6,278**	10,302	**4,693**	9,102
Contracted but not provided for	**12,706**	9,222	**12,132**	9,222
	18,984	19,524	**16,825**	18,324

Investment commitment

The Company has entered into a commitment to invest an amount of €2.9 million in a circular economy initiative. This investment is expected to be effected within the forthcoming 18 months with BCRS Malta Ltd which has been entrusted with the operation of the beverage container refund scheme in Malta.

Operating lease commitments – where a group company is a lessor

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

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**56**	55	**–**	–

33. Contingent liabilities

At 31 January 2021, the Group and the Company had contingent liabilities amounting to €779,000 (2020: €791,000) and €83,000 (2020: €95,000) 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.

The Company has been made aware of preliminary enquiries between third parties which could potentially result in a claim being made against the Company. At this stage the Company is not a party to the enquires, the eventual outcome of which remains uncertain. Refer to Note 22.

34. 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	
	2021	2020
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% (2020: 20.68%) of the shares are widely held. The transactions set out below were carried out with related parties. The directors make particular reference to the fact that Trident Estates plc and its subsidiaries are considered to be related parties due to common directors and the common shareholding.

	Group		Company	
	2021	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000
Income from goods and services				
– Sales of goods to subsidiaries	**–**	–	**1,457**	2,268
– Sales of goods to related parties	**266**	553	**217**	425
– Recharge of costs to subsidiaries	**–**	–	**1,160**	1,314
– Recharge of payroll costs to subsidiaries	**–**	–	**2,252**	2,190
– Recharge of payroll costs to a related party	**135**	236	**95**	236
– Finance income on loans to subsidiaries	**–**	–	**25**	7
	401	789	**5,206**	6,440
Expenditure for goods and services				
– Purchases of goods from subsidiaries	**–**	–	**947**	860
– Purchases of goods and services from related parties	**645**	802	**610**	738
– Rental expenses from related parties	**703**	702	**–**	84
– Finance costs on loans from subsidiaries	**–**	–	**30**	84
	1,348	1,504	**1,587**	1,682

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

	Group	
	2021	2020
	€'000	€'000
Directors (Note 29)	**579**	693
Senior Management	**968**	690
	1,547	1,383

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 10 and 22 of these financial statements.

35. Statutory information

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

36. 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.

37. Subsidiaries

The principal subsidiaries at 31 January 2021 are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2021**	2020
EcoPure Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Sale and distribution of bottled water	**100**	100
Farsons Distribution Services Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Non-operating	**100**	100
Farsons Beverage Imports Company Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	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
Portanier Warehouses Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Property leasing	**100**	100
Quintano Foods Limited	303, Qormi Road, Marsa	Importation and wholesale of food products	**100**	100

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the Company

	Ordinary shares held as at 31 January 2021	Ordinary shares held as at 26 May 2021
Louis A. Farrugia	30,223	30,223
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Baroness Christiane Ramsay Pergola	54,140	54,140
Marquis Marcus John Scicluna Marshall	27,456	27,456
Marcantonio Stagno d'Alcontres	3,430	3,430

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

Mr Marcantonio Stagno d'Alcontres and Ms Marina Hogg have a beneficial interest in M.S.M. Investments Limited. Mr Louis A. Farrugia has a beneficial interest represented by 1 share in Farrugia Investments Limited. Mr Louis A. Farrugia and Mr Michael Farrugia respectively have a beneficial interest in 25% and in 12.5% of the shares in Farrugia Holdings Limited which holds the rest of the shares in Farrugia Investments Limited apart from directly holding 42,916 shares in Simonds Farsons Cisk plc. Baroness Christiane Ramsay Pergola has a beneficial interest in Sciclunas Estates Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2021 to 26 May 2021.

Shareholders holding 5% or more of the equity share capital as at 26 May 2021

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
General public shareholding	6,206,112	20.68

Shareholding details

As at 26 May 2021, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,991

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 26 May 2021

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	745	169,698	0.57%
501 – 1,000	403	294,353	0.98%
1,001 – 5,000	645	1,409,508	4.70%
More than 5,000	198	28,126,441	93.75%
	1,991	30,000,000	100.00%

Antoinette Caruana
Company Secretary

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FIVE YEAR SUMMARISED GROUP RESULTS

		2021	2020	2019	2018	2017
		€'000	€'000	€'000	€'000	€'000
Revenue		**73,016**	103,491	99,798	95,331	88,414
Operating costs		**(67,343)**	(89,801)	(84,464)	(81,005)	(75,528)
Operating profit		**5,673**	13,690	15,334	14,326	12,886
Changes in fair value of investment property		**–**	–	–	(89)	928
Share of results of associate		**–**	–	–	–	–
Net finance costs		**(1,246)**	(1,370)	(1,239)	(1,207)	(1,465)
Profit/(loss) before taxation arising from:						
– continuing operations		**4,427**	12,320	14,095	13,455	11,387
– discontinued operations		**–**	–	–	(425)	962
Tax		**(1,094)**	(451)	1,036	732	(217)
Profit attributable to Ordinary shareholders		**3,333**	11,869	15,131	13,762	12,132
Net dividends paid on Ordinary shares		**–**	4,000	3,600	40,611	3,200
Shareholders' funds		**119,654**	116,223	108,273	96,632	123,271
Lease liabilities		**5,647**	6,391	–	–	–
Borrowings (net of cash and cash equivalents)		**18,591**	34,146	33,117	39,114	35,195
Total capital employed (adjusted)		**143,892**	156,760	141,390	135,746	158,466
Fixed Assets		**128,074**	126,397	117,254	118,049	111,505
Non-current Assets		**8,430**	9,890	10,300	9,051	6,488
Current Assets (excluding cash and cash equivalents)		**33,387**	43,246	35,864	32,708	32,914
Assets held for sale		**–**	–	–	–	31,266
Liabilities (excluding cash borrowings and lease liabilities)		**(25,999)**	(22,773)	(22,028)	(24,062)	(23,707)
Total assets less liabilities (excluding net borrowings)		**143,892**	156,760	141,390	135,746	158,466
Shares in issue during the financial year:						
– Ordinary shares	*'000*	**30,000**	30,000	30,000	30,000	30,000
Number of Ordinary shareholders		**1,991**	1,922	1,886	1,887	1,857
Earnings per Ordinary share (note 30)		**€0.111**	€0.396	€0.504	€0.459	€0.404
Return on average capital employed	*percentage*	**3.9**	9.4	10.6	9.8	8.7
Dividend cover	*times*	**–**	2.97	4.20	4.05	3.79
Dividends per Ordinary share (net of tax)		**–**	€0.133	€0.120	€0.113	€0.107
Net asset value per Ordinary share		**€3.99**	€3.87	€3.61	€3.22	€4.11
Gearing	*percentage*	**16.84**	25.86	23.42	28.81	22.21

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

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

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

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

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

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

SIMONDS FARSONS CISK PLC

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FARSONS GROUP

Farsons

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