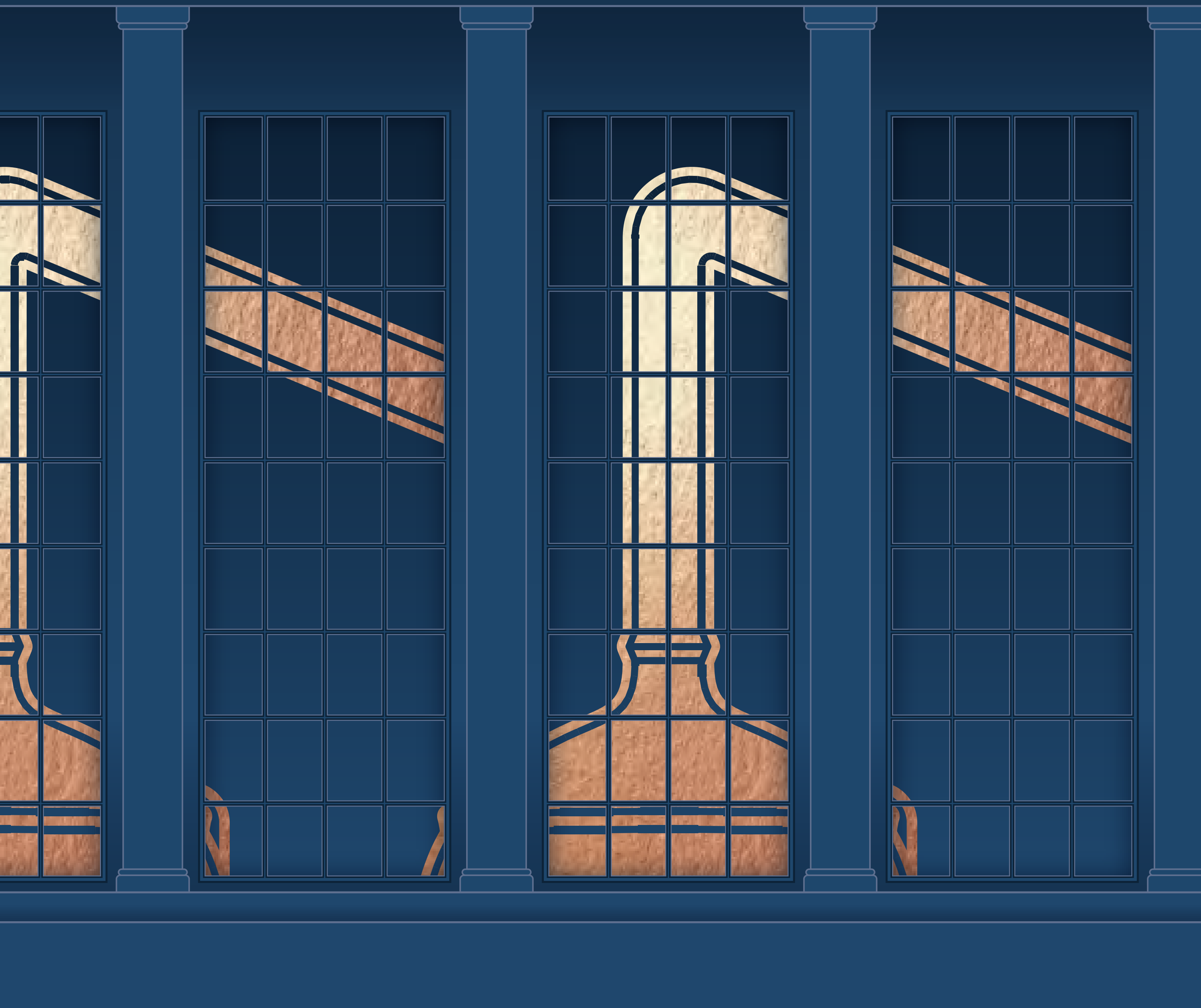
FARSONS GROUP

Farsons

Simonds Farsons Cisk Plc

Annual Report 2021/22

For the year ended
31 January 2022



An Icon Returns

The Brewhouse Project, which has inspired the motif on our Front Cover, is now open, marking the first local conversion and regeneration of a large-scale and listed industrial space.

In many ways, the careful restoration and transformation of this iconic asset, already welcoming its first tenants, embodies how the Farsons Group has given a new lease of life and purpose to an intrinsic part of Malta's brewing heritage.

Simonds Farsons Cisk plc

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Annual Report for the year ended 31 January 2022

Readers are reminded that the official statutory Annual Financial Report 2021/22, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on the Malta Stock Exchange portal https://www.borzamalta.com.mt/ and on the Company's website https://www.farsons.com/en/financial-statements.

A copy of the Independent auditor's report issued on the official statutory Annual Financial Report 2021/22, is included within this document and comprises the auditor's report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.

CHAIRMAN'S STATEMENT

It is my pleasure to present the 75th Annual Report of Simonds Farsons Cisk plc for the year ending 31st January 2022 (FY 2022). Last year, if you recall, we reported on the difficulties we faced when confronted with the global outbreak of COVID-19 and the measures which both the authorities and we were forced to take to mitigate the impact of the pandemic on our business and the community. We reported how it affected our markets right across our various business units and how our trading performance was adversely impacted; Group turnover fell by 29% and profits before taxation by 64% year on year. Nonetheless, thanks to the early implementation of remedial actions we still managed to report what was in the circumstances a small but respectable profit for FY 2021. Cost cutting, strict inventory, receivables and capital expenditure controls, as well as the government supported job protection scheme all contributed towards managing the COVID-19 induced impact on our business.

This year I am pleased to inform you that trading during the year under review has much improved. Details of our sales performance are well documented in the report by our Chief Executive Officer, Norman Aquilina. Group Turnover reached €91.8 million, an increase of 26% over the €73 million reported last year. Operating Profit increased by 137% to €13.4 million (2021: €5.7 million), whilst Profit before Taxation rose to €12.2 million from €4.4 million, an increase of 175%.

Trading during FY 2022 was clearly affected by the measures taken to close bars and restaurants for the months of January through to May 2021, and the additional restrictions re-imposed in the latter part of the year. At 968,000 tourist arrivals in calendar 2021 were down by 65% over the peak year of 2019 when 2.7 million arrivals were recorded. Whilst the tourist sector has clearly not yet fully recovered, the beverage market was particularly strong in the autumn months as infection numbers reduced in response to the effective vaccine programmes. At the time of writing this report, there are clear signs that the bars and restaurant sector is back in business and most of the restrictions have now been removed.

During the year much investment has been directed at completing the redevelopment of the old brewhouse. I remind you that the investment consists of converting this iconic industrial complex into a visitor experience, a brand store, a casual dining outlet, a brewpub, a 'CISK' Tap bar, a microbrewery, office space for rental, a board room facility and events space for hire. It has been a particularly complex restoration operation involving complicated structural alterations. This project is being coordinated with the Trident Park development being carried out by Trident Estates plc and is to be named 'The Brewhouse'.

A separate Board of Directors, which I chair, has been appointed to oversee the management of The Brewhouse operations. A programme of openings is currently being finalised and all units will be opened over the course of 2022. We anticipate that this new subsidiary company will be financially profitable in the short to medium term. Moreover, we believe that The Brewhouse and its activities will make a very positive contribution towards enhancing the image of the Farson's beer brands through the stunning displays at the Farsons Visitor Experience and the compelling story of our history and heritage and the evolution of our very own iconic local brands.

Our CEO's comprehensive report outlines the performance of our various business sectors. All our units markedly improved both turnover and profitability. Turnover of our

Brewing and Beverage production sector increased from €43.1 million in FY 2021 to €51.3 million (+18.8%) in the year under review, whilst the segment's profit more than doubled from €4.9 million to €9.9 million (+103.7%). The Importation of food and beverages sector increased from €26 million to €31.9 million (+22.5%), again with profit from the segment up substantially from a loss of €366,000 to a profit of €1.9 million (+631%). Turnover of our franchised food retailing operations increased from €11.7 million to €15.7 million (+34.4%) whilst the profit increased from €1.2 million to €1.6 million (+35.2%).

These are indeed impressive numbers. Furthermore, EBITDA for the year reached pre-2019 levels at €22.7 million - up from €14.9 million in FY 2021. Net borrowings at the balance sheet date are down to record low levels at €10.3 million. In fact, our gearing percentage is at 50 year all-time low of 12.6%. Given this all-round improvement in performance your Board is pleased to propose a net final dividend this year of €4 million payable in June of this year.

You will note that the Board of Directors is also proposing a bonus issue to shareholders (on a pro rata basis) of 1 (new) share for every 5 shares held. This bonus issue will be subject to the approval of the shareholders at the forthcoming Annual General Meeting. 6 million new shares of €0.30 each (fully paid up) will be created and will be funded by the capitalization of €1.8 million from retained profits. A resolution will also be brought before the Annual General Meeting to increase the authorized capital of the Company.

Having fought our way through the severe immediate impact of COVID, we are now facing the economic aftermath. These global challenges have been gravely exacerbated by the outbreak of war between Russia and Ukraine. Business confidence is taking a hit from growing inflationary pressures and significant supply chain issues. Once again – but for different reasons - we are facing an uncertain future. However, we are encouraged by the resilience that our business has demonstrated when tested, the strong revival of the on-premise sector and the growth in tourist numbers being forecast.

We have plans to grow our restaurant business by opening four new outlets in the coming months, and we are also planning to build a new state of the art logistics centre for our food business. Exports of our beverages reached record levels last year and we aim to continue to grow this segment in the years to come. Clearly, we shall continue to look at market opportunities both in Malta and overseas.

It has been a challenging 24-months in facing the difficulties of COVID-19 and its impact on business confidence. As always, I am very thankful to all the workforce for their continued loyalty, hard work and commitment.

On 25 November 2021 we learnt of the shocking news of the sudden passing away of our dear colleague Director, the Baroness Christiane Ramsay Pergola.

She had attended a meeting of the Board two days before her death and news of her death was even more poignant and sad.

She served on our Board for more than six years and was an important representative of the Scicluna family who have been a loyal and steadfast shareholder for nearly 75 years. We shall miss her presence and engaging personality.

We are pleased to welcome her daughter, Baroness Justine Pergola, on to the Board of Directors. We extend our deepest sympathy to her for her tragic loss and look forward to her participation for the years to come.

Our sincere thanks also go to the management team ably led by Norman Aquilina. They have worked well and with great determination under difficult and challenging circumstances and have produced much improved results. I am also most grateful to my fellow Directors who have always shown their commitment to the tasks and issues that the Company has had to face.

And finally, a word of thanks to our legal advisors and auditors, Messrs Mamo TCV and PWC respectively.

Louis A. Farrugia
Chairman
25 May 2022

BOARD OF DIRECTORS

Mr Louis A. Farrugia
Chairman

Baroness
Justine Pergola
from 13 January 2022

Mr Marcantonio
Stagno d'Alcontres
Vice-Chairman

Ms Marina Hogg

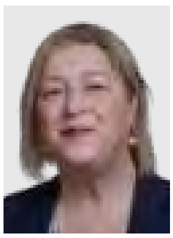
Mr Roderick
Chalmers

Marquis Marcus John
Scicluna Marshall

Mr Michael Farrugia

Baroness Christiane
Ramsay Pergola
up to 25 November 2021

Dr Max Ganado



Ms Antoinette Caruana
Company Secretary

BOARD COMMITTEES

Corporate Governance Committee
Mr Roderick Chalmers - *Chairman*
Mr Michael Farrugia
Dr Max Ganado
Ms Marina Hogg
Baroness Christiane Ramsay Pergola *up to 25 November 2021*

Related Party Transactions Committee
Dr Max Ganado - *Chairman*
Ms Marina Hogg
Baroness Justine Pergola *from 30 March 2022*
Baroness Christiane Ramsay Pergola *up to 25 November 2021*
Mr Marcantonio Stagno D'Alcontres

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

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

THE FARSONS FOUNDATION

Board of Administrators
Mr Louis A. Farrugia - *Acting Chairman*
Ms Antoinette Caruana
Mr Michael Farrugia
Mr Franco Masini
Mr Mark Miceli-Farrugia
Mr Arthur Muscat

SENIOR MANAGEMENT BOARD

Mr Norman Aquilina - *Chairman*
Mr John Bonello Ghio - *Group Head of Food Business - up to 16 January 2022*
Mr Chris Borg Cardona - *Head of Logistics & EcoPure Limited*
Ms Antoinette Caruana - *Company Secretary and Group HR Manager*
Mr Eugenio Caruana - *Chief Operating Officer*
Mr Michael Farrugia - *Executive Director - Operations & Business Development*
Mr Philip Farrugia - *Head of IT and Business Services*
Mr Gordon Naudi - *General Manager Food Chain Limited - from 7 February 2022*
Mr Sean Portelli - *General Manager Quintano Food Limited - from 1 February 2022*
Mr Pierre Stafrace - *General Manager FBIC*
Ms Anne Marie Tabone - *Group Chief Financial Officer*
Ms Susan Weenink Camilleri - *Head of Sales & Marketing*

AN ICON RETURNS

After almost a decade of careful planning and preparation, The Brewhouse is finally set to reopen its doors to the public. Covering over 7,000 square metres of Grade 2 listed, industrial space, its restoration and rehabilitation has been an epic undertaking, which will see one of Malta's most iconic and much-loved buildings transformed into an exceptional mixed-use destination. From the launch of the very first Cisk Bar, to the opening of a Farsons Brewery Visitor Experience and Brand Store, a Microbrewery and Brewpub, a Café, Bar and Bistro, multiple event spaces and a range of unique industrial office workplaces, The Brewhouse is a landmark regeneration project, unlike anything seen to date in Malta.

Designed by internationally renowned Ian Ritchie Architects and taking cue from some of Europe's leading industrial conversions, the design philosophy has been to provide a game changing perspective for industrial heritage in Malta, which pays tribute to the pioneering vision and legacy of the brewery and brands. As one of the first and finest examples of a concrete reinforced building, great care has been taken to sensitively retain the inherent high aesthetic qualities and fabric of the Art Deco building, while in site brewing machinery and equipment will provide a thematic backdrop throughout the spaces, which have been flooded with natural light from two large skylights and atriums that now penetrate the building. Moreover, as part of the redesign, large and colourful geometric shapes have been introduced at every floor, providing a playful touch to the ambience, as well as added light and cross ventilation.

Core to this redevelopment has been the conversion of circa 2,000 square metres to house a range of unique industrial workspaces for third party leasing. From the conversion of the former malt stores and cellars to the transformation of the former open fermentation vats, a portion of which will be allocated to hot desk leasing, The Brewhouse together with its neighbour Trident Park, concurrently being developed by Trident Estates plc, will offer an inspiring, campus type lifestyle. With a selection of tenants already signed up and operating on site, a range of amenities and event spaces for large and small workshops, seminars and conferences will only add to the overall outstanding environment and ambience.

Artist's Impression – The Brewhouse exterior.

Artist's Impressions – The Brewhouse interior.





Given the significance of this €20 million investment and scale of the operation, which is to be almost exclusively operated by a newly recruited team of Farsons personnel, a new subsidiary in the form of The Brewhouse Company Limited has been established together with a new Board, which has been tasked to oversee the overall business and multi-faceted operation. With the main contracts now coming to an imminent close and the fit out of the various spaces and outlets at an advanced stage, The Brewhouse is expected to be fully operational by September 2022. Just as the opening of the brewery in June 1950 marked an important turning point in the industrialisation of post war Malta, so too is the reopening of The Brewhouse expected to be not only another major milestone in the proud history of Farsons, but also a significant moment in the modernisation and upgrade of the wider Central Business District.


The Brewhouse - a range of unique industrial office workplaces.

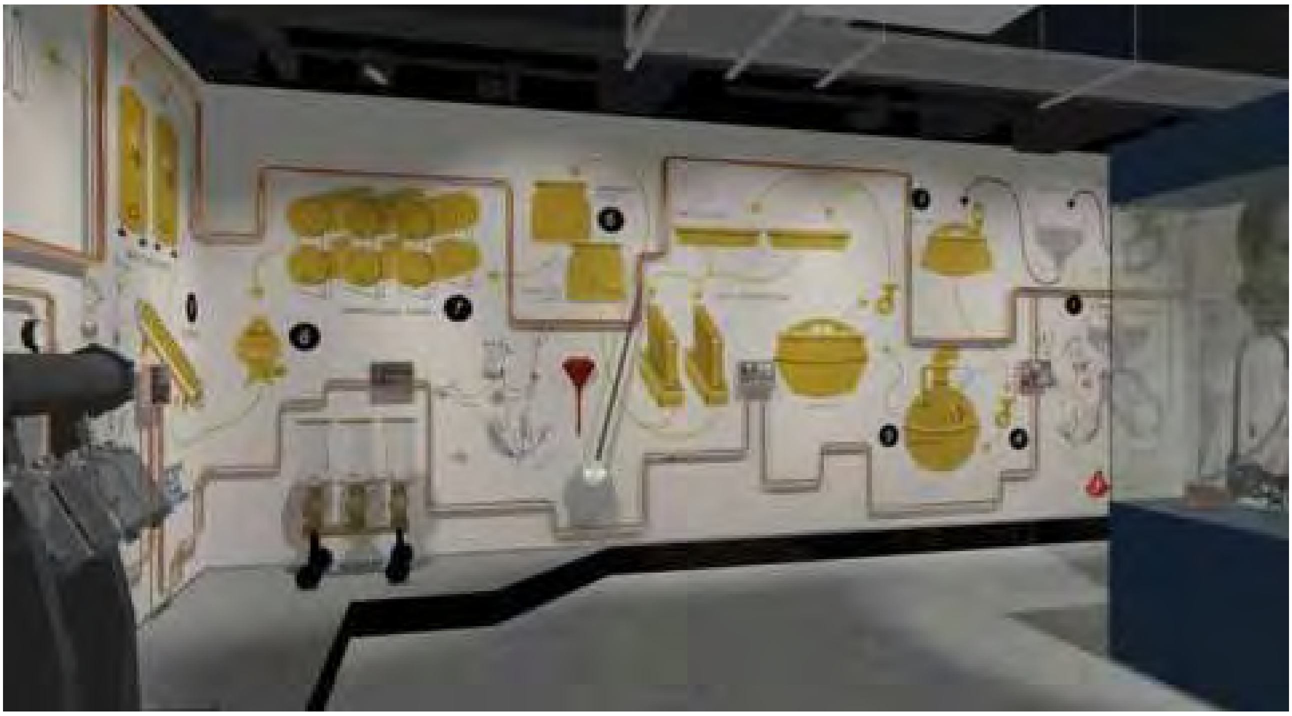
A NEW EXPERIENCE FOR VISITORS

As the only remaining brewery on the island with over 90 years of rich heritage and history, the Brewery Visitor Experience is a key attraction within The Brewhouse, which aims to celebrate the building, brewery, and brands. Featuring an extensive range of restored items, audio visual displays, sculptural exhibits and memorabilia, visitors will be provided with an architectural, immersive, and educational experience that notably includes a visit to the fully restored Coppers Brew Hall, before heading up to the stunning Cisk Tap Bar. Located on the top floor of the brewery tower, visitors here will be able to indulge in a freshly brewed Cisk Frisk, while enjoying 360-degree panoramic views of the island.

Artist's Impression – The Brewhouse cross section.

As part of the overall experience and marking another important first for the Company, a large Farsons Brand store will offer an extensive, premium range of branded merchandise.

Of special importance to this development will be Farsons' entry into the craft beer segment, following our investment in a state-of-the-art Microbrewery and Chapels Gastrobrewpub. Intended not only as a major family friendly public attraction, but also as a key platform for brewing innovation and experimentation, the Microbrewery will provide considerable flexibility and opportunity for the Farsons Brewing Team to create new and exciting brews. Featuring two beautifully converted 'Chapel' like spaces, the Gastrobrewpub will also have a very large outdoor beer garden and terrace, which will be fully setup for a variety of events. While the plan is to brew and serve craft beer directly on site, the Microbrewery will also have the capability to keg and bottle beers for 3rd parties and special events.



The Brewery Visitor Experience – a key attraction.

GROUP CHIEF EXECUTIVE'S REVIEW

A YEAR OF RESILIENCE AND RECOVERY

Our performance during the year under review (Financial year ended 31 January 2022) reaffirmed the strength of our brand portfolio and resilience of our business – our people, our operations, our financial strength.

While this has certainly been a highly challenging year, it has made us a stronger business, better prepared for a fast-changing world. There has been a slew of challenges over the year, from continued market uncertainty, fueled by new COVID variants together with the overall spillover effect of the pandemic, growing inflationary pressures, supply and demand issues along with pressing labour shortages.

This year can best be described as a year of resilience and recovery during which we have delivered a good set of results in very challenging times. Indeed, it is satisfying to note that we are heading towards pre-pandemic profitable growth, even if comprehensively not quite there yet. This was attainable thanks to a strong focus on execution and a step-up in productivity, a pro-active approach to pricing and the disciplined implementation of alleviating our expenditure. The Group also maintained a dynamic and selective resource allocation.

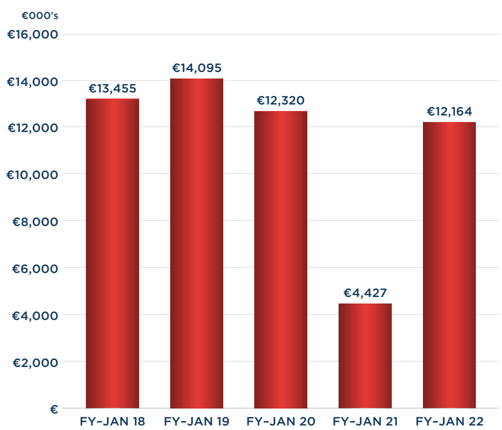
Overall turnover increased across all areas of our Group's business and we also registered significant improvements in results across all segments.

We registered an increase in Group turnover of 25.7%, reaching €91.8 million, which represents 88.7% of that generated by the Group during the year preceding COVID (January 2020). Notable is the improvement in our gross margin from 35.6% to 37.5%. We also managed to contain our selling, distribution and administration expenses at €21 million, which translates into a reduction from 27.9% to 22.8% of revenue.

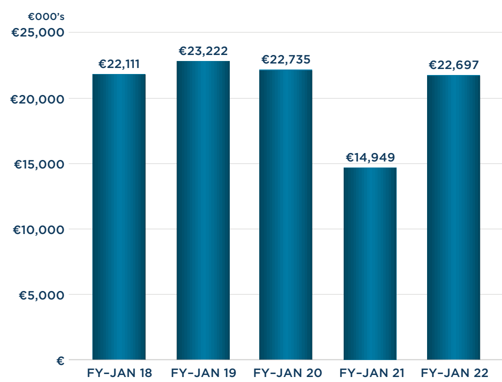
After a major hit in profitability the previous year (€4.4 million), it is gratifying to report an almost pre-COVID level of profitability, registering a Group profit before tax of €12.2 million, compared to €12.3 million for financial year January 2020.

From the outset, I need to express my appreciation for the hard work and ongoing supportive spirit put in by everyone within the Group, whom collectively have delivered such results, despite the unprecedented and challenging circumstances.

GROUP PROFITABILITY BEFORE TAX



GROUP EBITDA



> "WE HAVE DELIVERED A GOOD SET OF RESULTS IN VERY CHALLENGING TIMES"

MARKET TRENDS AND DEVELOPMENTS

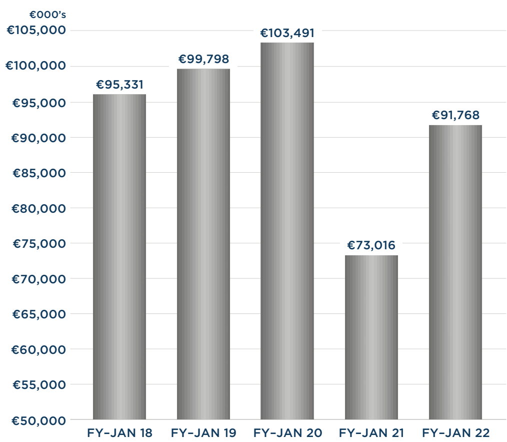
For the third year running, we are reviewing our performance against a difficult backdrop of global uncertainty. For the past two years it has been the COVID-19 pandemic which has taken up our time, attention, and resources, as we focused on keeping safe, keeping our business going and taking the necessary measures to safeguard our future, to the extent that we could. But all this now almost seems pale in comparison to the horrors unfolding in Ukraine, and the possibility of even wider escalation beyond. The damage, destruction and loss of life puts things into perspective and are certainly a reality check for the world.

In this review, it is worth recalling the principal social, economic and commercial factors which prevailed during the year, and to indicate how these could have influenced our results.

At the start of 2021, Malta, together with the rest of the world, was in the thick of what was then the '3rd wave' of the COVID-19 pandemic. Many COVID-19 measures were at a peak, including the restrictions on the hospitality sector in Malta and Gozo. Night clubs, bars and pubs, social clubs (każini) and restaurants remained closed to the public for much of the first half of 2021, with restaurants reopening in May and bars and pubs following a few weeks later, albeit with continued COVID-related measures. Tourist arrivals were minimal, and mass events, including village *festi* were not permitted. For the second year in a row, the Farsons Beer Festival was cancelled.

The effects of the pandemic continue to linger, impacting how we are choosing to live our lives. Many communities and individuals are adapting to an altered normality, and it is becoming increasingly clear that such global pandemics do not come to an end abruptly – rather we gradually adapt and realign priorities, how we spend our time, how we spend our money and how we make important choices. As a result, there has been a shift in concerns, priorities and needs – shifting from concern for our health, to a concern for our economies and now to a concern for the mental health of core groups in many societies.

GROUP TURNOVER



Understanding core consumer groups remains central to success in our business. In recent years, the key focus was on Gen Z, those born between 1996 and 2010 with this group being the target audience of many campaigns from key brands and businesses the world over. But the marketing world is now focussing on a group referred to as 'Centennials', born in the early years of the 21st century and now heading towards adulthood. This generation has never known the world without the internet. They will influence and possibly determine the success or failure of many brands and industries and will undoubtedly reshape the future as they take on key roles in society. Their lifestyles have been significantly affected by the pandemic and they are now keen to get back to the way of life that they have been missing, but with their realities shaken, they also want to do things better, and with a greater sense of purpose, than they did before. Those organisations and brands that recognise these shifts in key consumer groups are more likely to gain or retain their loyal custom than those who try to regain momentum assuming a 'business as usual' approach.

Two main trends which we had already highlighted in last year's report continued to evolve – namely a continued shift in consumption from the relatively risky outdoors to the safety of our homes, together with an increase in online purchases. Categories as diverse as clothes, cosmetics, appliances or daily meals and snacks, as well as weekly supermarket groceries are now purchased online, at any time we choose.

The increase in supermarket sales maintained a steady momentum, and with our portfolio of well-known brands enjoying wide retail distribution, we were able to maximise potential sales in this channel, thereby offsetting some of the declining sales in other market segments.

KEY GROUP PERFORMANCE HIGHLIGHTS

ACTUAL VS LAST YEAR VS FIVE YEAR COMPARATIVES

	FY Jan 2022 €'000	Movement vs FY Jan 2021	Movement vs FY Jan 2018
Turnover	€91,768	26%	-4%
Operating Profit	€13,446	137%	-6%
Pre-tax Profit	€12,164	175%	-10%
Post-tax Profit	€12,428	273%	-10%
EBITDA	€22,697	52%	3%
Earnings per Ordinary share	€0.414	273%	-10%
Return on Average Capital Employed	9.7%	5.8pp	0.1pp
Gearing	12.6%	-4.3pp	-16.3pp

"UNDERSTANDING CORE CONSUMER GROUPS REMAINS CENTRAL TO SUCCESS IN OUR BUSINESS"

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

Meanwhile, the continued growth in e-commerce is redefining and reshaping retail, not only amongst the more IT-savvy younger consumer groups, as online purchasing is also now widespread across a broad sector of the population. Online competition is, however, equally fierce, and such rapid growth needs to be matched and supported by an improved holistic customer experience through to the destination website, prompting a purchase and more importantly, repeat visits.

OPERATIONS

Following the successful commissioning in 2020 of additional beer mixing capability on the Beer Mixer, we initiated various trials for a Spritz Aperitivo drink, utilizing the Kinnie essence as the base product to satisfy the ever-increasing demand for adult soft drinks.

Following numerous laboratory trials and tasting sessions to identify the ideal product taste profile for this niche market, a 4% alcoholic strength Aperitivo – Kinnie Spritz – was made by blending Kinnie essence syrup, Prosecco wine and an Amaro liquor. The first full production trial took place in March 2021, and the product was launched in a bespoke 25 centilitre one way glass bottle, dressed in a metallised label livery, and sold in a 4-pack wrap-around multipack, ideal for the take-home market segment.

Being a new product category in our product portfolio, the finished product was subjected to numerous stringent laboratory tests to ascertain that the full integrity of the beverage remained unchanged for the entire duration of the shelf-life period.

The launch of Kinnie Spritz required the implementation of various new change parts on our labelling and packaging line. Technical assistance on this project was provided by Krones and GPI technicians, who supported our Beer Packaging team with this successful implementation. The product was released for sale in April 2021 with a very good reception from the local market.

In view of the increased international and local interest in non-alcoholic beers, a decision was taken in early 2019 to develop a non-alcoholic beer with a similar aroma profile as Cisk Lager. The product development process for this new beer was carried out over a two-year period, during which time, numerous trial brews were brewed, processed, dealcoholised, and evaluated for a taste profile matching with Cisk Lager. The first crucial step in this long product development process was the careful selection of the best plant for the gentle removal of alcohol, this was installed and successfully commissioned in the summer of 2019 and the development of Cisk 0.0% started immediately.

The dealcoholising process essentially involved an initial degassing step followed by alcohol removal. The use of vacuum evaporation for the removal of alcohol, guarantees minimal thermal impact and helps preserve the beer's character in a process which yields a beer with an alcohol level below 0.05%.

At the end of this long testing and optimisation process, an award-winning non-alcoholic beer, Cisk 0.0% was launched in March 2021 in 25 centilitre returnable glass bottles and 33 centilitre cans.

In consultation with PepsiCo, we have for some time been considering converting the 1.5 litre PET bottles from Carolina

to the newer and more attractive AXL and Ripple bottle profiles. The AXL bottle is exclusively used for Pepsi and Pepsi Max, whilst the Ripple Bottle is used for 7-Up, 7-Up Free and Mirinda. Following technical consultations, it was decided to launch the new bottles in Q2 of 2021.

Following the successful market roll-out of these new 1.5 litre bottles, the decision was taken to launch the same AXL and Ripple bottle profiles in the 0.5 litre range in April 2022.

Two new Standby Power Generators were installed in Q4 in our Engine Room, and commissioned towards the end of 2021. They supply a number of key areas, namely, beer packaging, keg plant, the critical fire pumps, The Brewhouse, the energy centre and other essential loads in operational areas such as beer processing and our PET line.

LOGISTICS

Our Logistics Department has adapted to the new norm that the pandemic has brought about. The health and safety of our personnel remain a priority, whilst also adapting to increasingly fluctuating sales volumes, with clients demanding more fragmented, frequent, and last-minute orders, which puts a strain on distribution routes.

To address a shortage of drivers, we embarked on a recruitment drive for both Maltese and foreign drivers. Today almost a third of our drivers are foreigners, who have integrated very well with their Maltese colleagues and are key to our operation.

The COVID-19 pandemic has also brought difficulty in supply-chain operations, with suppliers delaying shipments, straining the overall procurement system. This has led to increased warehouse occupancy rates due to stocking up; we were well able to cope with this, on the back of our recent investment in extending warehousing capacity.

We continued investing in modern material handling equipment throughout the year. A new fleet of forklift trucks have replaced an older fleet, significantly improving productivity, whilst reducing maintenance and energy costs. Moreover, delivery trucks have been equipped with battery powered pallet trucks to facilitate unloading, improving health and safety whilst significantly increasing productivity.

Looking ahead, our logistics will be as adaptable and flexible as possible adjusting to meet customer demand, whilst minimising physical contacts, managing labour shortages, and improving efficiencies to make products available at the right place at the right time. Our planned investments in digitisation and automation will help us to achieve this. One such investment is the introduction of a new Routing and Scheduling Software System that will provide full visibility of the distribution process, reduce delivery route planning time, optimise vehicle and driver utilization, reduce carbon emissions, whilst reducing cost and meeting customer delivery requirements.

To further reduce our carbon footprint, we will be installing over 2,000 square metres of solar panels on top of our Logistics Centre canopy and are looking into extending more panels in other locations. Moreover, together with the Foundation for Transport and other local partners, we are participating in a pilot project to evaluate the introduction of electric commercial vehicles. Trials, using an electric delivery vehicle, and comparing this to traditional combustion engine

vehicles, will shortly be carried out. The outcomes of this pilot project will initiate our transformation to a greener distribution model.

INFORMATION TECHNOLOGY

Our IT function continued to work on various corporate initiatives for better and more efficient ways of working, increasing value-added business processes using the latest technologies in line with current industry trends and best practices.

Technical support ensured secure, efficient, and flexible smart working practices across the Group, also incorporating fully online workflows that are integrated within existing IT systems and across all platforms.

More initiatives were conducted to further leverage functionality of the Group's comprehensive Enterprise Resource Planning and Warehouse Management System, while also embarking on a major retune of the corporate Customer Relationship Management system. We also continue to invest in IT cybersecurity layers for our critical infrastructure, in line with the sector's best practices and latest technology while continuing to upgrade network services and related infrastructure across our Group.

Our IT function was also actively involved in The Brewhouse project, to ensure comprehensive state of the art services whilst also supporting all systems and the dedicated portal related to the FarsonsDirect outlet.

OUR PEOPLE

Yet again, our workforce met the unprecedented challenges caused by the pandemic with great commitment and continued collaboration, enabling the Group to achieve the best possible results, despite this difficult time. The true strength of our workforce is evidenced by ongoing improvements in the way we do things, and by our willingness to continue to innovate our product range. More importantly, our resilience can be seen in the way we continue to challenge old and familiar practices and introduce more efficient and effective alternative approaches which bring real benefit to the Group and its stakeholders.

During the year we focused on several actions to maintain business continuity at all times despite the scarcity of manpower in a tight labour market and significant upheaval experienced in the ever competitive and uncertain markets in which we operate. To enable this, we ensure that our employees remain committed, healthy, and motivated for their own benefit as well as to continue making a long-term contribution to the Farsons Group. It is widely recognized that people are the very backbone of the Farsons Group.

Our Board continued to monitor the impact of the pandemic on our workforce, supporting as necessary and taking critical decisions. No jobs were lost, and employees continued to remain reassured of their employment with the Group. Wellbeing measures also continued to be an important consideration, with programmes related to mental and emotional well-being run throughout the year. Health and safety measures also remained a priority to avoid the spread of the virus at the workplace. Our annual recognition programmes, including our Cause for Applause programme, our Suggestion Scheme awards and our Long Service and Retirement Awards, all continued albeit with a difference. The Farsons Group has always believed that recognizing the performance and commitment of our people is not only good practice but essential for the continued motivation and engagement of our entire workforce.

INITIATIVES AND MITIGATING MEASURES

The HR function continued to seek ways of better understanding what motivates our teams as they become more diverse and more intergenerational, identifying emerging issues and introducing proactive solutions to manage these in a more agile and results-driven manner. Our

employee engagement workshops attended by well over 500 employees, were once again held on-line, enabling our teams to better understand recent developments but more importantly to be more aware and engaged in our ambitious plans for the forthcoming financial year and beyond. Throughout the year, we have striven to raise awareness about the importance of reducing cost, eliminating waste, and focusing on environmental considerations whilst taking advantage of opportunities presented by the pandemic and applying strong governance in all we do.

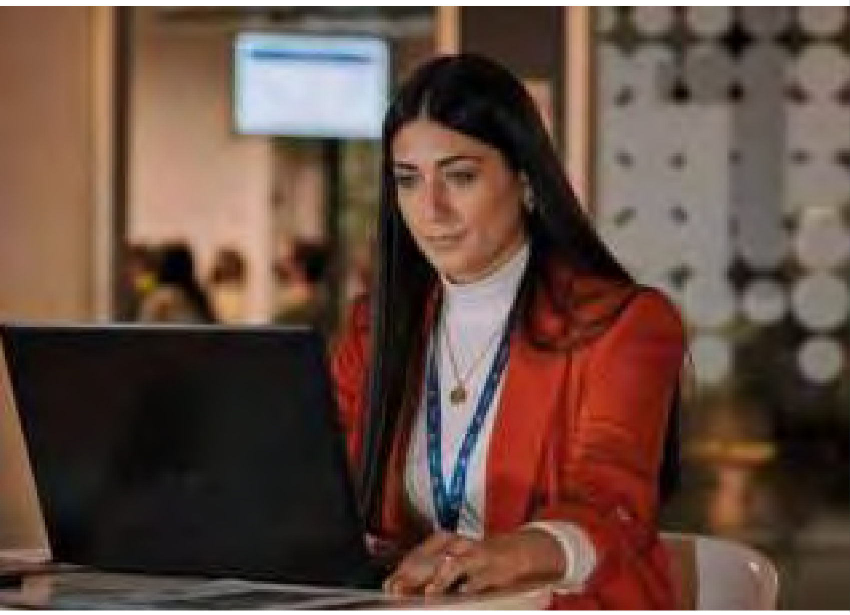
We successfully introduced a new payroll system in Q2, and on the back of this continue to prepare for the implementation of new HR related information systems which will enable management and employees to access real-time data via an integrated platform that incorporates a number of functions. This is expected to lead to improved data analytics and HR reporting, leading to enhanced decision making. Two four-year collective agreements between the General Workers' Union and FDS Ltd and Quintano Foods Ltd were finalised during the year. These agreements enhanced the compensation and benefits package for the FDS and Quintano teams, and generally provided for more favourable working conditions as well as more efficient ways of working – aimed to better motivate the teams and to improve productivity levels.

We also continue to prepare to support the launch of our much-anticipated The Brewhouse. Expert committed teams have been introduced to set up and run this milestone

project in a manner which reflects both the dynamic vision of the Farsons Group as well as its deeply rooted values and remarkable heritage.

We are also pleased to announce that in December 2021 we were awarded the 'Most Inclusive Workplace Award' presented by the President of the Malta Chamber during the '*Premju Socjeta' Gusta*' ceremony, where Farsons was recognised as a Company that "appreciates the strength of workforce diversity and commits to enhancing belonging at the workplace amongst all employees".

Looking ahead, we have embarked on a critical succession programme for our management team and are working to introduce a technical vocation programme together with MCAST in 2022, to ensure that the Farsons Group is well placed to implement the vision of our Board of Directors to continue to move forward with determination and a sense of purpose.



"OUR WORKFORCE MET THE UNPRECEDENTED CHALLENGES CAUSED BY THE PANDEMIC WITH GREAT COMMITMENT AND CONTINUED COLLABORATION, ENABLING THE GROUP TO ACHIEVE THE BEST POSSIBLE RESULTS"

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

THE BEER MARKET

For the second year in a row, the consumption of our beers was more heavily impacted by COVID-19 and prevailing related measures than the non-alcoholic beverages in our portfolio. With the main bars, pubs and night clubs closed for almost all the first half of the year, with *festi* and mass events cancelled for yet another summer, with tourism barely reaching 40% of pre-COVID levels, recovery was slower than ideal. It was however reassuring to witness the recovery of the hospitality segment as the summer progressed, and even more satisfactory to see our flagship brand - **Cisk Lager** - once again taking pole position and asserting its leadership as the brand of choice amongst locals and visitors alike.

To celebrate the reopening of the hospitality sector, the more cautious advertising campaign adopted for the **Cisk** portfolio the previous year was stepped up somewhat; **Cisk** and **Cisk Excel** consumers were encouraged to 'Start with a Cheers' once they were able to revisit their favourite bar or pub. Playing on the locally popular phrase '*Agħmillu Cisk*', equivalent to 'Pour him a pint' in English, the campaign continued across multiple touch points throughout the summer season, and was also extended to an 'On Pack' promotion, whereby consumers were offered the opportunity of enjoying a free pint with every Cisk Lager 8-pack purchased at retail outlets for a limited time.

Cisk Excel, to date the only local low-carbohydrate lager available on the market, continues to be the fastest growing brand on the local beer market, firmly positioning itself as the favourite beer of choice amongst the younger beer drinker who has clearly recognised the benefits that this award-winning lager offers.

Cisk Excel Low-Carbohydrate Lager Beer is now available in a convenient 8x50cl cans Fridge Pack.

The **Cisk Chill** variants, now comprising three flavours – the ever-popular Lemon, the tangy Berry and the more recently introduced zingy Ginger & Lime – kept their annual appointment. Widely available in both bottles and cans across the market in the peak summer weeks, they offer consumers a tasty and thirst-quenching drinking experience, particularly on hot and sticky summer days.

The highlight of 2021 for the Cisk portfolio was surely the launch of the long-awaited alcohol-free variant – **Cisk 0.0%**, an alcohol-free lager targeted at the growing base of beer consumers who wish to limit their alcohol consumption but are still after a refreshing and great-tasting beer. With a tagline '*The Cisk You Can Drink Anytime*', an extensive campaign was launched across many touch points, with social media playing a key role in quickly establishing this new addition as a favourite for many. The launch of Cisk 0.0% followed a long period of research and development. This was carried out both by our dedicated team of brewers, who ensured that the result was nothing short of perfect in terms of the all-important taste profile and beer characteristics, as well as by our sales and marketing teams who conducted research amongst both end consumers and, equally importantly, loyal trade clients, to ensure that the launch was well-planned and targeted, and rolled out

The culmination of our efforts in developing and launching Cisk 0.0% was the awarding of a gold medal in the Non & Low Alcohol Beer – Class 1 Category at the International Brewing and Cider Awards 2021 held in Burton-on Trent, UK.


Get together.
SINCE 1929
CISK
SINCE 1929
CISK
drinkawaremalta.com
for the facts

Cisk 0.0% Award Presentation – From left, Mr Paul Hegarty, Honorary Secretary of the All-Party Parliamentary Beer Group who sponsored the International Non & Low trophy award, Mr Michael Farrugia, Executive Director – Operations & Business Development and Mr Eugenio Caruana, Chief Operations Officer.

with precision and focus. All this hard work came to fruition and was well-rewarded; we are proud to be able to report that Cisk 0.0% non-alcoholic lager was awarded a gold medal in the Non & Low Alcohol Beer – Class 1 Category at the International Brewing and Cider Awards 2021 held in Burton-on Trent, UK. Cisk 0.0% was also named Overall Trophy Winner of the Gold winners of the three classes of the same category, that included zero alcohol, low alcohol, and ultra-low alcohol. This prestigious competition, regarded as the 'ultimate challenge' in the brewing industry, is technically unrivalled as judging is by working professionals in the industry from across the globe.

International brands **Carlsberg** and **Budweiser**, together with local favourites **Blue Label**, **Farsons Double Red** and the newly launched **Farsons Green Hop IPA** from the Classic Brews portfolio, remain brands of choice for many beer consumers. Our focus with such brands is to ensure availability and visibility in all leading supermarkets and retail outlets, supported by ongoing promotions and offers aimed at offering value and quality as consumption shifted from bars and pubs to within our homes.

Budweiser – Calling on soccer friends to honour the Kings of the Game.

Carlsberg – Better shared with friends. Probably.

Green Hop IPA – True Hoppiness in a glass.


TRADITIONAL
& DISTINCTIVE
Draught
SMOOTH & CREAMY
FARSONS
BLUE LABEL

SOFT DRINKS

For the second year running, the soft drinks market continued to benefit from the increase in supermarket sales, the switch to home entertainment, and shifting lifestyles, as families and individuals endeavoured to maintain a balance and adjust to new realities. With the proliferation of working from home and remote working, the traditional boundaries between work and family life have become less defined, and whilst this has allowed many employees to retain employment and incomes, it has also resulted in conflating previously separate parts of the day, allowing families the opportunity to spend more time together, rediscovering activities, hobbies, and relaxation pastimes.

Overall, all brands within our soft-drinks portfolio benefited from this status. The focus on health and wellness accelerated in 2021 and this was evident in the accelerated switch to no/low sugar variants. In fact, no sugar is at the centre of many New Product Development programmes and is driving growth in the non-alcoholic category, growing ahead of the curve. Research has indicated that the resistance to artificial sweeteners has flattened with many consumers now more educated and informed and therefore not so easily swayed by media sensationalism. In keeping with this developing trend, all low/no-sugar brand variants – which include Diet Kinnie, Kinnie Zest, Pepsi Max and 7-Up Free, registered a higher growth rate over previous year than the full-sugar variants – this is in line with trends in many other markets in the developed world.

"THE SOFT DRINKS MARKET CONTINUED TO BENEFIT FROM THE INCREASE IN SUPERMARKET SALES, THE SWITCH TO HOME ENTERTAINMENT, AND SHIFTING LIFESTYLES"

2021 was a very eventful and successful year for our flagship brand **Kinnie** – clearly retaining its spot as 'Malta's own favourite Soft Drink'. With the tagline 'The Mediterranean Classic Since 1952', a series of vibrant and uplifting advertising and promotional campaigns were implemented back-to-back throughout the year, playing on the strong and striking visual identity of this unique market-leading brand. Kinnie is widely available in numerous package type and formats across the market, including the now popular and sought after bespoke 25 centilitre glass bottle which is reminiscent of the very first glass bottle launched almost 70 years ago in June 1952. In fact, Kinnie will this year be celebrating its 70th birthday, and this will be accompanied by a number of initiatives, promotions, and specially designed vibrant and eye-catching limited-edition packaging.

Specially designed Kinnie 33cl can to celebrate Kinnie's 70th Anniversary.


Kinnie
ROCKS!
1952
MEDITERRANEAN CLASSIC
Since 1952
Kinnie
BITTERSWEET REFRESHMENT
Celebrating Since 1952

"THE HIGHLIGHT OF THE YEAR FOR KINNIE WAS SURELY THE LAUNCH OF THE INNOVATIVE KINNIE SPRITZ"

Kinnie enjoying high levels of visibility as sponsor of X Factor Malta.

"Kinnie souvenirs that don't suck" a welcomed novelty for Kinnie fans.

The collaboration of Kinnie with the global phenomenon X Factor, for the 3rd edition of this popular talent show in Malta, was an opportunity for our brand to continue to support Maltese talent in a very tangible manner, whilst at the same time enjoying high levels of visibility at peak television viewing times and during the live shows held in the final stages of this ever-popular show.

Another innovative and successful collaboration involved Kinnie teaming up with a popular and quirky online and retail outlet, *Souvenirs That Don't Suck*, which creates well-designed and innovative souvenirs inspired by all things Maltese. A number of carefully curated and designed items were available for sale, for a limited time only, and were very eagerly taken up.

Kinnie Spritz a refreshingly light alcoholic aperitivo, with 4% alcohol by volume – now available in 25cl bespoke bottles.

The highlight of the year for Kinnie was surely the launch of the innovative **Kinnie Spritz** – a refreshingly light alcoholic aperitivo, with 4% alcohol by volume. Building on Kinnie's inherent mixability and versatility and seeking to tap into the ready-to-rink segment and global spritz phenomenon, Kinnie Spritz was launched in striking bespoke 25 centilitre glass bottle in April 2021, mainly in supermarkets since bars and pubs were still closed at the time. The response to this innovative product launch was nothing short of phenomenal and take up by consumers so strong that initial stocks were quickly taken up, leading to a short out-of-stock period until supplies were replenished. Strong sales of Kinnie Spritz continued throughout the peak summer months with the new brand variant by then also available in bars and cafes having established itself as an increasingly popular go-to aperitivo. This is a highly seasonal refreshment, and we are currently preparing for the second season's supplies which will shortly be widely available to meet consumer demand.

Pepsi-Cola, **7-Up** and **Mirinda**, including the sugar-free variants **Pepsi Max** and **7-Up Free**, together with global brand favourites **Lipton Ice Tea** and market leader sports isotonic drink **Gatorade**, make up the Pepsico portfolio at Farsons. Sporting a new-look striking bespoke bottle shape launched in May 2021, all Pepsico soft drink brands enjoyed a strong recovery from the previous year, particularly in the on-trade sector, despite on-going COVID related measures; from performance indicators to date, the current year will be another strong one for these market leading products, with the no sugar variants taking the lead in a number of sectors, as referred to earlier.

INTERNATIONALISATION

It is highly encouraging to note that 2021 was a good year for Farsons exports.

Given relatively subdued 2020 export results, our performance during 2021 was especially notable, with several positive developments contributing to a significant turnaround.

Sustained growth in our beer sales, registered in the **Middle East** region, are of particular significance, and sales of Cisk Excel and Cisk Strong, as well as Cisk Super Strong, continue to show encouraging resilience and further growth potential. Positioned as a light and low carb beer, Cisk Excel is proving to be a very good fit for the **Bahraini** market, where light beers are long established and widely consumed within both the hospitality sector and retail segment. Available in both kegged and canned packages, Cisk Excel, supported by strong marketing and promotions carried by a well-established importer and distributor, continues to build brand awareness in this market.

Equally of note is the continued export of Cisk Strong and Cisk Super Strong, the latter specifically developed for this market, where a large and competitive strong beer segment exists within the retail sector. Available in 50 centilitre canned package, both Cisk Strong products are playing an increasingly central role in our export strategy, as is the latest award-winning Cisk Non-Alcoholic 0.0%, which has already generated a high level of interest and response in this region and beyond.

"GIVEN RELATIVELY SUBDUED 2020 EXPORT RESULTS, OUR PERFORMANCE DURING 2021 WAS ESPECIALLY NOTABLE, WITH SEVERAL POSITIVE DEVELOPMENTS CONTRIBUTING TO A SIGNIFICANT TURNAROUND"

Export business in **Australia** remained buoyant during 2021, notwithstanding the negative impact of pandemic-related measures within this market. Kinnie production and sales remained stable as did exports of beer, which have been sustained through mainstream online retailers. Plans to further develop this market through the greater allocation of focus and resources are also underway, while exports to Asia and more specifically **South Korea** and **Japan** also remained stable with new markets such as **Taiwan** being considered, with an eye on the strong beer segment.

Following a significant contraction in export business to the Italian market in 2020, sales to **Italy** in 2021 did show a marked improvement even if not yet recovering to previous levels. Given the pandemic's significant impact on the Italian hospitality segment, which is where our business is focused, it will take time before we fully regain lost ground within this segment. While all importers remain active, we have streamlined our General Sales Agent set-up, and now have a single representative to oversee the whole Italian market. With approximately 20 importers and distributors in place covering mainly central and southern Italy, the Company remains committed to the market with an immediate view to contain costs and improve overall profitability.

In a similar vein, we opted to review our sales arrangements for the **United Kingdom**. Although online sales remained robust in 2021, with the bulk of sales being driven via Amazon UK, our plans to grow in the hospitality sector were understandably disrupted by COVID, which led to a cessation of kegged beer exports and on trade presence.

In line with this drive to capitalise on new leads and opportunities, we have focused increasingly on **West and East African** markets, where attractive opportunities for both strong and non-alcoholic beers exist. Greater attention is also being given to Kinnie's potential for growth in this region, where consumers already have a strong preference for herbal, bittersweet products, similar in flavour profile to Kinnie. Franchise opportunities are being actively pursued on this front, following consistent interest over the years. Whilst the pace with which these markets will be developed rests on how quickly they can return to normal and the pandemic is brought under control, the prospects of such large markets remain promising.

Meanwhile, we continue to nurture our Duty Free and ship chandler business, which performed strongly throughout 2021, while also servicing a growing list of distributors located in **Germany**, **Czech Republic**, **Latvia**, **Poland**, **Libya**, **Israel**, and **Canada**. New leads are relentlessly being explored, and we actively participate in leading food and beverage fairs such as SIAL, Anuga and Gulf Food, in line with the Group's internationalisation strategy. Going forward, and despite considerable inflationary pressures and supply disruptions being faced, we intend to keep building on the solid momentum generated during 2021, with an ambitious view to achieving another record set of results for Farsons exports.

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

FARSONS BEVERAGE IMPORTS CO. (FBIC)

The year under review has been very challenging for our FBIC business, with COVID-19 pandemic measures continuing to impact the whole market as well as our own operation. Nevertheless, we are pleased to report that our results were significantly better than the previous year thanks to coordinated sales and marketing efforts throughout the whole year which have largely been successful.

With bars, hotels, restaurants, and clubs closed from October 2020 until the end of May 2021, our sales in the on-trade sector were inevitably drastically affected. Similarly, the sustained ban on mass events impinged on our sales of beers and spirits. Tourism numbers also influenced sales; travel was practically closed until May and although figures picked up from June onwards, they were still much lower than 2019.

However, the reopening of bars and restaurants in June saw a surge in business with local consumers. Still not keen to travel overseas, many residents enjoyed their holiday times in Malta and Gozo, leading to a strong pick-up in sales.

To make up for the sales drop in the on-trade sector during the first half of the year, we extended our efforts to expand sales in the off-trade, widening our sales and distribution to smaller retail shops and running promotions and activations in retail outlets.

The COVID pandemic also had some unexpected effects on global supply chains. Shortage of staff due to infection or quarantine, coupled with a slowdown of production levels, left some of our suppliers unprepared for the resurgence in demand once summer arrived and restrictions started to be lifted in many countries. This unfortunately led to some out-of-stock situations, with a few of our top brands. The situation was further exacerbated by delays in shipping, an ongoing issue which is expected to carry on through 2022.

With the uncertainty affecting the market throughout the whole year, the environment was not ideal for the introduction of new products and our primary focus was on the consolidation of our portfolio. We did, however, manage to launch two new brands.

London Essence offers a range of innovative premium tonics and mixers, which was very well-received, and which

has been listed in a number of top outlets all over the island. London Essence perfectly complements the extensive range of premium gins in our portfolio. In 2021, we were also very proud to extend our representation of Gruppo Campari, which entrusted us with **Wild Turkey**, a historic bourbon brand from Kentucky.

We re-launched the premium water **Vittel**, which had been missing from our shelves for a few years due to shortage of supply. Having invested in their production processes, Vittel was once again made available for export to Malta.

We also introduced special limited editions of two of our main brands. **Perrier** had an exclusive packaging designed by the globally renowned Japanese artist Takashi Murakami, who has worked with fashion houses, such as Louis Vuitton, and famous musicians, including Kanye West.

Despite the difficult circumstances, we also continued to strengthen our standing as reputable wine merchants. We are very proud to have received representation of two incredible wineries: **Domaine de L'Ile**, a prestigious estate on the exclusive island of Porquerolles owned by the luxury goods company Chanel, which also owns the iconic Bordeaux Châteaux Rauzan-Sègla, Canon and Berliquet; and **Shafer Vineyards**, the pioneering Napa Valley winery, which helped establish the international reputation of Napa as a top wine-producing region back in the '70s.

The year also gave us the opportunity of building up some new products we had launched during a very challenging

2020. We extended the availability of the **San Benedetto** waters and ice teas and had very good promotions with **Perrier & Juice**. **Hophouse 13**, the double-hopped lager from the legendary St. James's Gate brewery in Dublin, is now also present in a wider range of outlets.

"RESULTS WERE SIGNIFICANTLY BETTER THAN THE PREVIOUS YEAR THANKS TO COORDINATED SALES AND MARKETING EFFORTS"

Chanel's excellent rosé wine from the Côte de Provence.

Red Bull Full Moon Street Sport Series.

FARSONSDIRECT

FARSONSDIRECT

Farsonsdirect also registered a positive year. Sales to private clients who regularly visit our outlet to browse through the wide range of products on our shelves registered an increase. With the reopening of the on-trade sector in the second half of the year, our sales to business-to-business customers grew too.

We also saw a significant increase in e-commerce and invested in the upgrading of our website to better respond to sales in this sector. This was matched with an improvement in the efficiency of our delivery service. We also increased our digital marketing efforts on social media platforms such as Facebook and Instagram to continue directing people to the e-commerce portal and increase sales.

"INCREASED OUR DIGITAL MARKETING EFFORTS ON SOCIAL MEDIA PLATFORMS TO CONTINUE DIRECTING PEOPLE TO THE E-COMMERCE PORTAL"

Farsonsdirect – fully equiped to offer online shopping complemented with a home delivery service.

FARSONS GROUP
EcoPure
BEVERAGE SERVICES

ECOPURE

Despite another year of disruptions due to the pandemic, EcoPure recorded an improvement in performance. We delivered increased revenues, which were above expectations, as well as improved profitability levels.

As COVID-19 measures eased during the year, sales of our EcoPure water to the worst hit customer segments, such as the hotel, restaurant, and entertainment industries, improved significantly compared to the previous year. Furthermore, employees within the business sector, which constitutes our largest customer base, who had previously been working from home, started returning to their offices, increasing consumption practically to pre-pandemic levels. Our strong results were achieved notwithstanding the last COVID surge in December 2021 and in January 2022, during which time many employees returned to remote working patterns.

To counter this shortfall, our sales and marketing efforts were focused on retail and domestic sectors, with campaigns on a mix of media channels that helped us achieve new clients in the domestic sector as well as a higher uptake in supermarkets, thus minimising the loss in sales of other impacted sectors and contributing to an overall improved sales performance. Management also introduced several cost containment measures, which also contributed significantly to our bottom-line performance.

With the introduction of the Beverage Container Refund Scheme (BCRS) in 2022, sales will be focused primarily on the retail and domestic sectors, as it is expected that more consumers would shift to other alternatives to bottled water whilst opting for a more environmentally friendly San Michel EcoPure re-usable bottles that can be either delivered to one's doorstep or purchased directly from supermarkets. Our 11 litre returnable bottles will be a key focus for the retail sector, as this package has been identified as a more convenient for shoppers to handle.

The results which we have achieved during the year under review, as well as the sales outlook, are of course encouraging, though we remain mindful of ongoing challenges such as substantial increases in shipping, services and raw material costs, which could have a significant impact on profitability. We will, therefore, focus our efforts on cost savings and on further enhancing our productivity.

The current shortage of truck drivers is also of concern, as this could negatively affect our service, we shall therefore continue to focus on maintaining a motivated workforce, whilst attracting skilled and customer-oriented delivery employees.

FARSONS GROUP
Quintano
FOOD IMPORTERS

QUINTANO FOODS

Quintano Foods registered a positive performance and achieved encouraging growth in both sales and profitability over the previous year, notwithstanding the various challenges brought about not only by the pandemic, but also by Brexit, and a number of supply shortages that resulted from sudden spikes in demand from larger markets.

Retail sales remained strong since home consumption was still high because of the continued restrictive COVID-19 measures. On-line grocery purchases remained high, albeit not at the same levels registered during the peak of the pandemic in the previous year.

Recognising the potential growth in the food sector, the Company has been given the green lights to invest in the development of a site owned by the Company into a dedicated food distribution centre which will also house the administration of both Quintano Foods and Food Chain.

"WE ARE WORKING RELENTLESSLY TO FURTHER GROW THIS BUSINESS WHILST CONTINUING TO STRENGTHEN OUR OVERALL PORTFOLIO"

Planning and preliminary works are already underway and construction is expected to start before the end of 2022.

The pandemic brought about an overall economic slowdown, accompanied by increased costs which directly impacted consumers' disposable income. This fuelled an increased drive by consumers to opt for economy pack formats and cost-saving special offers. Being aware of this shift in consumer behaviour, and from the market experience we gained from the previous year, we channelled most of our marketing investment in below-the-line activities, focussing on consumer special offers, economy packs and an increased brand presence on digital marketing platforms.

Brands such as **Danone Actimel**, **Walkers**, **Lays**, **Doritos** and **Calvé** which remained relevant to the reality of the pandemic lifestyle, did particularly well. Consumers sought ways to boost their immune system, whilst simultaneously increasing their demand for snacking as they were spending more time at home. All this, coupled with the additional sales achieved through brands which we added to our portfolio, such as **De Cecco** and **Evian** all contributed to our results.

Although still well below pre-pandemic levels, sales to the hospitality sector and to Food Chain franchise outlets also experienced an overall improved performance. These sectors contribute almost a third of this subsidiary's turnover. Rapidly evolving travel restrictions and health measures continued to impact tourism levels and led to reduced business for restaurants and catering. Quintano Foods took over representation of the **KraftHeinz** Foodservice portfolio and this, to some degree, mitigated the effects experienced in this hard-hit sector.

Quintano's outlook for the year ahead remains positive, and we are working relentlessly to further grow this business whilst continuing to strengthen our overall portfolio of quality products.

FARSONS GROUP
Food Chain
RESTAURANTS

FOOD CHAIN

We are pleased to report that our Food Chain business registered strong sales growth over the previous year, and this despite another very challenging year for the entire hospitality sector. Undeterred, we continued to strive to take advantage of every opportunity to drive sales and increase footfall across all ordering platforms, whilst keeping a close eye on all costs and ensuring an efficient and effective operation.

Following the coming into effect of new COVID-19 restrictions in March 2021, we were once again compelled to close all our dine-in lobbies and were only able to offer take-away and delivery services. Three of our restaurants, namely Pizza Hut Sliema and Valletta and Burger King Valletta were shut down for a nine-week period, to re-open though with drastically reduced seating capacity in May 2021.

"WE CONTINUED TO STRIVE TO TAKE ADVANTAGE OF EVERY OPPORTUNITY TO DRIVE SALES AND INCREASE FOOTFALL ACROSS ALL ORDERING PLATFORMS"

Moreover, just as business was starting to pick up, the authorities ordered the abrupt closure of all English language schools, and new travel related restrictions were introduced just before the summer peak. This, coupled with the cancellation of mass events throughout the year, had a negative impact on sales across most of our restaurants.

Staff recruitment during 2021 was a struggle and we encountered difficulties in attracting new employees at all levels, particularly because of travel restrictions on third country nationals as well as a high demand for employees, once these restrictions were eased, from all hotels and retail stores which were all competing to recruit new personnel.

During the year, for **Pizza Hut** we continued to focus on improving our delivery service, particularly because this sales channel has become an essential and crucial part of our business. We have invested in enhancing our delivery channels, with a new delivery fleet of motorbikes and new IT technologies to offer our clients a better experience.

To address the continuous changes in digital trends, a mobile app for **Burger King** that informs customers of new products, coupons and promotions via push notifications was also launched. The presence and sales through two aggregators, Wolt and Bolt, who have complemented our delivery system and offered deliveries of the three brands, remained very strong. Sales trends show that customers have become accustomed to this service.

Given the change in consumer habits brought about by the pandemic, our marketing strategies have also been reviewed and tweaked to reach customers better. Various combo deals were offered following the issue of Government vouchers to entice customers to redeem their coupons at our stores. Aggressive back-to-back limited time offers were launched together with value campaigns and cross-promotions throughout the year. The premium limited offers remained a popular option and the introduction of plant-based products being offered at Burger King was also well received.

In May 2021, we opened the doors of our new Burger King Drive-Thru restaurant in Paola; displaying Burger King's new visual identity and livery, this brings the number of Drive-Thru restaurants to three the other two being Burger King Qormi and **KFC** Mosta. Our new Paola restaurant boasts a comfortable drive lane that could stack a high capacity of cars awaiting their order, together with a comfortable dine-in area equipped with a children's play area and a new kitchen management system that will ensure an enhanced guest experience. The feedback and performance have been excellent, and BK Paola became one of our top-performing outlets.

In 2022, our Food Chain business shall be extending our franchise portfolio by launching **Boost** Juice, one of Australia's most famous and loved juice and smoothie brands. This is quickly spreading across the globe, with over 580 stores across 13 different countries.

Our first outlets will shortly open adjacent to our restaurants in Sliema, Gzira and Msida, with others following in 2023.

RETURNING TO A GROWTH MINDSET

Summing up, it has certainly been another very eventful, yet largely successful year for our Group, even if we remain mindful of the broader context we live in.

The forthcoming financial year is likely to be characterized by a variety of challenges. We can expect continued supply chain disruptions, significant increases in the cost of raw material and imported products, compounded with similar increases in shipping costs, set against the backdrop of inflation and economic turmoil caused by two years of the COVID-19 pandemic. All this notwithstanding, we need to brace ourselves and continue to push forward. In addition, we also need to consider the evolving situation of the Russia – Ukraine conflict, which puts additional pressure on costs of raw material, energy and shipping, and leads to instability of supply.

There is also the inescapable reality of what some are referring to as a 'Global Climate Catastrophe,' requiring that sustainability is put back on the top of the agenda for many governments, businesses, enterprises, and communities across the globe. The younger generations are now much more informed and opinionated and are being extremely vocal and taking the lead – both by example but also by their choices and preferences. With multiple stakeholders pushing for action – consumers, regulators, companies, pressure groups – the necessity to move from words to action has never been so urgent. As sustainability increasingly drives brand choice, so too will it drive brand equity; producers and brand owners need to adapt rapidly and innovate accordingly.

Though the outlook remains challenging, the Group's strategic direction is to return to a growth mindset, and our results for the year under review encourage us to do precisely this.

We need to formulate a more distinctive food and beverage business, seeking further innovation and accelerating our digitalization process, better responding to our sustainability responsibilities, ensuring successful business continuity through leadership talent and succession planning. This will drive our productivity and enhance our overall competitiveness going forward.

"THOUGH THE OUTLOOK REMAINS CHALLENGING, THE GROUP'S STRATEGIC DIRECTION IS TO RETURN TO A GROWTH MINDSET"

Before signing off my twelfth year as Group Chief Executive, I need once again to express my gratitude to all Farsons Group Management and employees who have delivered these results in unprecedented and challenging circumstances. Gratitude is also due to our Board, particularly our chairman, Louis A. Farrugia, for his ongoing support, sound advice and confidence.

I take much pride in saying that all the workforce within the Farsons Group, from Management to all employees, have shown exemplary levels of team spirit, dedication and camaraderie. These distinctive qualities have certainly served us well in achieving the results presented here.

Resilient and resourceful, we remain determined to push forward with our Group ambitions for further profitable growth, whilst always balancing profit with purpose.

Norman Aquilina
Group Chief Executive
25 May 2022

SIMONDS FARSONS CISK PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2022

DIRECTORS' REPORT

The Board of Directors present their annual report and the audited consolidated financial statements for the year ended 31 January 2022.

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 2022 (FY 2022).

FY 2022 saw the beginning of a somewhat bumpy economic recovery from the effects of the COVID-19 pandemic as the effective roll out of the vaccination campaigns took hold. However, some uncertainty and instability prevailed, as periodic spikes in infection levels caused travel related and other social restrictions to be reimposed from time to time. The restrictions impacted the re-opening of bars, restaurants and clubs – and limitations on social gatherings and mass events – all important market segments for the Farsons Group. Tourist arrivals improved from 660,000 in calendar 2020 to 968,000 in 2021 – but remained well below the pre-pandemic peak of 2.7 million.

Over the year under review the Board of Directors together with Management have maintained their vigilance on cash conservation measures and on the levels of operational expenditure across the Group. Effective operational and cost efficiencies have been implemented whilst at the same time maintaining the Group's full workforce complement throughout the long pandemic period. Capital expenditure has been subject to stringent review as have the controls over Group receivables. As noted below, these measures have resulted in a marked improvement in the Group's indebtedness and gearing levels.

Group turnover for FY 2022 amounted to €91.8 million – an increase of close to 26% over the turnover of €73 million registered in FY 2021. The recovery in turnover was registered across all the segments of the Group's businesses, with the higher rates of recovery being experienced in the food and beverages importation operations (plus 23%) and the franchised food retailing establishments (plus 34%). These were the two sectors most severely impacted by the stringent COVID-related restrictions imposed throughout much of FY 2021.

Group profit before tax for the year amounted to €12.2 million (2021: €4.4 million). This significantly improved result compares well with the profit of €12.3 million in FY 2020, the last pre-pandemic reporting period. The marked improvement in profitability resulted from increases in both revenues and gross margins as well as cost efficiencies achieved. Net movement on provisions (including lower net provisions against trade and other receivables arising from the proactive management of trade credit) have also contributed to the result to the extent of €1.5 million on a year to year comparative basis, with part of the precautionary COVID induced provisions established in FY 2021 being released during the year under review.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rebounded back to pre-COVID levels and amounted to €22.7 million for the year as compared to €14.9 million in FY 2021. This increase of 52% reflects the improved profits reported for the year and is evidence of the cash generation capacity of the Group's businesses.

The Group's net borrowings as at 31 January 2022 amounted to €10.3 million – representing a decrease of €8.3 million from a year earlier. Gearing at the year-end stood at 12.6% as compared with 16.8% at the end of FY 2021. The reduction in indebtedness resulted from the strong focus on trade collections together with the VAT and Tax payment deferral schemes that remained in place during the year. Payment of these deferred liabilities are due to take place over a 30-month period starting in June 2022 leading to an increase in net indebtedness and gearing to more "normalized" levels at the end of such period. Finance costs for the year of €1.3 million include a €0.3 million charge under IFRS 16 (leasehold properties). The decrease in the gearing results from the overall reduction in indebtedness together with the higher level of Shareholders' funds as a result of the improved profitability. Total equity of the Group at the year-end amounted to €129.2 million (2021: €119.7 million).

INVESTMENTS

Notwithstanding the focus on cash conservation measures referred to above, the Group has continued with investing for the future. During FY 2022 the Group pursued further investments in its plant and machinery and logistics operations, with a focus on environmentally friendly "green" technology being increasingly deployed.

The major investment currently being undertaken by Farsons is the restoration of the Farsons Old Brewhouse. With a cumulative investment to date of €14.5 million, it is planned that all facilities should be opened over the course of the current year. This historical industrial rehabilitation project will comprise a Farsons Brewery

Visitor experience, a Microbrewery, a Brewpub, a Cisk bar, a restaurant, a retail brand store and multiple indoor and outdoor event areas for both business and leisure activities. The management of this investment will be entrusted to a newly incorporated subsidiary, The Brewhouse Company Limited.

In our franchised food retailing businesses ongoing capital investment was allocated for the development of additional outlets earmarked for opening during 2022, together with the launch of the new "Boost" Juice Bar franchise which will commence operations during the second half of the current year.

OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2023

The principal business challenges brought on by the COVID pandemic resulted from the precipitous fall in sales as travel restrictions were imposed, social events cancelled and bars, restaurants and clubs obliged to close their doors. As we gradually emerge from the economic shadow cast by COVID, we are now faced with a new set of extraordinary challenges – this time concentrated on the supply side of our businesses. Rarely has the resilience of executive management teams been so challenged over such a concentrated period of time.

This new set of unwelcome challenges have resulted from a combination of the economic aftershocks of COVID, the war in Ukraine as well as the impact of China's "zero COVID" policies. The strong surge in demand as economies recovered collided with shortages in supply occasioned by disrupted supply chains, key component and labour shortages as well as spiralling shipping costs. The combination of a surge in demand and shortage of supply has fuelled inflationary pressures to levels not seen for over 40 years. The war in Ukraine (first and foremost a terrible human tragedy) has served to cause additional serious economic consequences to emerge - including surging energy prices, the further disruption of supply chains and shortages in certain key commodities and product categories (including oil and gas, grains, vegetable oils and fertilizer). These shortages are further stoking already high inflation levels and are adversely affecting business confidence, with the World Bank significantly downgrading growth forecasts for 2022 and 2023. In an effort to combat inflation Central Banks are starting to hike interest rates – further dampening business confidence.

These emerging realities present very real and significant challenges to the Group, particularly but not limited to our raw material costs for (among other categories) malt, sugar and packaging materials. Shortages of labour is a widespread post-pandemic phenomenon but is particularly acute in Malta where the economy has over recent years come to rely more heavily on imported non-Maltese workers. The exceedingly tight local labour market presents yet another significant challenge across the Group, one which will almost certainly result in a higher wage bill as well as the lack of the necessary manpower required to deliver the high level of service expected by our customers.

The Group is actively seeking to mitigate these new set of challenges and risk through enhanced procurement planning, higher inventory levels and forward price commitments whenever available. Increased investment in automation and "smart" working practices are also being implemented. In the meantime, constituted bodies representing trade and industry have been actively engaged at governmental level in seeking to address the acute labour shortages being experienced across all business sectors.

In the marketplace competition both locally and in the export sector remains fierce – and it is vital that the Group continues to sharpen its competitive edge with the highest quality products, ongoing innovation and efficient logistics and distribution services. Whereas FY 2023 has got off to a good start in terms of turnover, challenges are foreseen for later in the year as increases in input prices are necessarily reflected in higher selling prices – and this at a time when growing inflationary pressures are likely to negatively impact consumer sentiment and purchasing power.

The Board of Directors together with management constantly monitor the rapidly shifting economic and geo-political environments. The speed of change in terms of emerging challenges means that agility of response is critical to ensure that the business is protected and continues to grow and develop. The financial strength of the Farsons Group with shareholders' equity of €129 million remains an important element in terms of enabling the Group to weather the latest economic scenarios.

The Farsons Group will continue to manage its operations and finances in a diligent manner so as to be able to generate sustainable levels of turnover and profitability in the forthcoming financial year.

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 BONUS SHARES

The income statements and statement of financial position are set out on pages 58 to 60. As at 31 January 2022, retained earnings amounted to €70.9 million (2021: €61.5 million).

In last year's Directors' Report, the Board stated that due to the then prevailing uncertainties it did not feel able to recommend a final dividend for FY 2021. However, the Board also undertook to keep developments under review in terms of the pace of the economic recovery and the re-opening of the tourist market, and that the Board would certainly consider the payment of an interim dividend immediately it was judged prudent to do so.

In the event and as evidenced by this Report, the anticipated recovery was forthcoming and the Board felt able to declare interim dividends of €1.5 million each on 29 September 2021 and 9 December 2021 respectively, thus restoring dividend payments to shareholders after a 24-month suspension due to the economic crisis that was caused by the pandemic.

The Board of Directors, encouraged by the results achieved in FY 2022, will be recommending to the forthcoming Annual General Meeting (AGM) the declaration of a net final dividend for the year under review amounting to €4 million. If approved at the AGM, this dividend will be paid to shareholders on the 24 June 2022.

Furthermore, and in the light of representations made by a number of shareholders in the recent past, the Board will also be recommending the distribution of a bonus issue to shareholders (on a pro rata basis) of 1 share for every 5 shares held. This proposed bonus issue of 6 million shares of €0.30 each (fully paid up) will be funded by the capitalization of €1.8 million from retained profits. The distribution of the bonus issue of shares to shareholders will be subject to the approval of the shareholders at the forthcoming Annual General Meeting. The date for the allotment of the bonus shares to eligible members will be announced via the issuance of a Company Announcement following the Annual General Meeting and an application being made for the listing of the bonus issue on the Malta Stock Exchange. The bonus issue will rank pari passu in all respects with the existing listed share capital of the Company.

DIRECTORS

The Directors who held office during the year were:

Mr Louis A. Farrugia F.C.A. - *Chairman*
Mr Marcantonio Stagno d'Alcontres - *Vice-Chairman*
Baroness Christiane Ramsay Pergola *(until 25 November 2021)*
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)
Baroness Justine Pergola *(appointed 13 January 2022)*

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 2022 are included in the Annual Report 2022, 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 2022, 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 CAPITAL MARKETS RULE 5.64

Share capital information of the Company is disclosed in Note 12 of the financial statements.

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 2022, the Company is not party to any significant agreement pursuant to Capital Markets Rule 5.64.10.

Furthermore, the Board declares that the information required under Capital Markets Rules 5.64.5 and 5.64.7 are not applicable to the Company.

REMUNERATION REPORT

The Remuneration Report is set out on pages 54 to 57 of this Annual Report and sets out details of the terms of reference and membership of the Remuneration Committee and the Remuneration strategy and policy of the Farsons Group. The Remuneration Report also sets out the required details of the remuneration paid to Directors and the Group Chief Executive and of Senior Management. In accordance with Capital Markets Rules 12.26L and 12.26M, the Remuneration Report will be subject to an advisory vote by the Shareholders at the forthcoming Annual General Meeting (AGM) and will be made available on the Company's website for a period of 10 years thereafter. The contents of the Remuneration Report have been reviewed by the external auditors to ensure that it confirms with the requirements of the Capital Markets Rules.

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.

Signed on behalf of the Company's Board of Directors on 25 May 2022 by Louis A. Farrugia (Chairman) and Marcantonio Stagno d'Alcontres (Vice-Chairman) as per the Directors Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report 2021/2.

Registered address:
The Brewery
Mdina Road
Zone 2, Central Business District
Birkirkara
CBD 2010
Malta

Telephone (+356) 2381 4172

Antoinette Caruana
Company Secretary
25 May 2022

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. A newly incorporated subsidiary, "The Brewhouse Company Limited" was set up in October 2021 to manage the operations of the Brewhouse upon completion of the regeneration capital works programme, whilst also supporting the Farsons Group in promoting its heritage and products. 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. A comprehensive risk management review is conducted on a yearly basis, with the assistance of external consultants. This exercise undertakes a review of previously identified risks and the controls in place while identifying emerging risks, following which enhanced risk management protocols are put in place. 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. Currently the impact of inflation, product shortages, supply chain disruption and the consequences of the war in Ukraine are all receiving particular attention.

The Group generated a turnover of €91.8 million during the year ended 31 January 2022 and employed an average of 802 (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 business decisions draw on all relevant environmental considerations. This is a culture which is fast gaining acceptance across all levels of management, so much so that water usage, energy efficiency, emissions and packaging waste management all represent important key performance indicators for the Group.

Notwithstanding that economic and other market conditions remain influenced by the persistent COVID pandemic, inflationary and supply chain pressures, we remain focused on our long-term and wider plan to ensure we continue strengthening our environmental credentials. We remain firmly focused on this key corporate initiative, not only through the introduction of internal and tangible Group related measures, procedures and protocols, but also through increasing overall Group awareness. Furthermore, in an effort to adopt industry wide best practices, we also seek effective collaboration with our peers and various external partners to tap into new and innovative technology for their possible application in various environmental related areas.

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. 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 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 of water and the recovery of water are responsibilities which are seen to on a daily basis and every effort is made to improve our processes as part of a programme of water resource management.

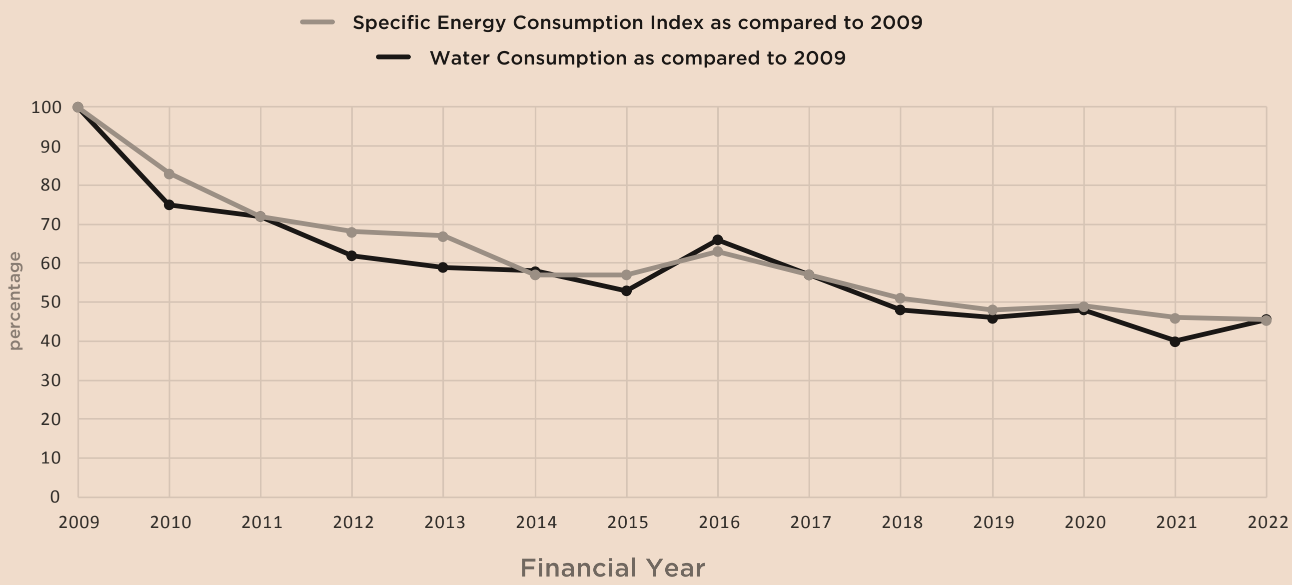
All the water used in all the SFC finished products is sourced from Water Services Corporation. This water portion represents approximately 97% of the water used in our production processes with the remaining 3% being supplied as recycled water and water sourced from our water capture and storage capabilities. These in-house water sources are typically reserved for the production of water used for washing purposes. Irrespective of the source and the intended use, the water used in our products and processes goes through an extensive filtering, purification and treatment regime so as to meet the strict product water specifications necessary to meet the Group's premium quality standards.

The Group also recovers water from a number of processes including the Can Rinser. Another important aspect of water management at Farsons relates to the recovery of condensate water generated during production and use of steam in its various processes. This is in turn re-used to generate more steam.

Additionally, the consumption of the different water types in all our processes as well as for all product types is being monitored on a weekly basis. The water indices for each product type is calculated and discussed during the monthly Performance Review Meeting. This continues to prove the commitment by Farsons to effectively manage this valuable resource whilst utilising the most sustainable practices.

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.



In its effort to improve energy efficiency and water conservation, Farsons installed a new feedwater boiler tank at the Energy Centre. Three generators were replaced by two 750kVA generators which serve the operations of the Brewhouse Building, which technology utilises high pressure injection exceeding the latest European standards and further increase fuel efficiency.

Farsons plans to decommission its oldest refrigeration chiller, which was installed in the early 90s, following the successful installation of two larger refrigeration chillers. An additional installation of two photovoltaic panels of 430kWp and 220kWp are planned to be installed in 2022. These are estimated to generate in excess of 1 million units (kWh) per year and reduce CO2 emissions by around 378 Tons per year.

Two new Air Compressors are also planned to replace an older, larger unit which was installed back in 2010. The older unit, having a power of 132 KW, delivered 21 m3/min of compressed air. The newer units have a combined input power of 145 KW and will deliver 26m3/min. This makes them over 20% more efficient.

Fuel consumption increased by 19% during the year under review, mainly due to an increase in volume sales, as the economy gradually recovered from the effects of the pandemic. The pandemic also caused clients to require more fragmented and frequent orders in view of the market uncertainties that prevailed. During the current year, whilst still maintaining a high level of customer service, the Group is looking to optimising distribution routes so as to reverse this trend and reduce fuel consumption.

Whilst 67% of the Group's trucks are in line with the latest euro 6 emissions standard, the process of phasing out older models was delayed this year. This was not only due to the economic uncertainties, but also due to extended delivery times causing vehicle manufacturers to struggle in keeping up with demand. The Group has also upgraded the sales car fleet with seven electrical passenger vehicles. These vehicles performed well, and the initial high investment was partially subsidised through Government Grants.

Furthermore, following an evaluation with the Foundation for Transport and other local partners on the impact of the introduction of electric commercial vehicles, the Group plans on using the outcome of this pilot project as the blueprint to initiate our own transformation to a greener distribution model.

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. We remained actively committed to the introduction of the Beverage Container Refund Scheme (BCRS) which is expected to come into operation during the first half of 2022 and are fully engaged with all relevant stakeholders in this respect.

Through our various contributions to this scheme, we will work to ensure the success of BCRS given its status as a key national environmental initiative and one milestone in the drive to improving national waste recycling indicators for the longer term.

In the meantime, 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 across certain product categories.

Efforts to recycle packaging waste remain ongoing and have also intensified. We continue to fulfil our obligations for the recovery and separation of packaging waste through our participation in the licensed waste recovery scheme and through various specific internal measures for all recyclable streams, while also enhancing awareness and education in this area for all Group employees. We are determined to ensure that we exploit all recyclable opportunities with the ongoing adoption of Circular Economy principles.

Our other efforts towards recycling continue. 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.

OTHER WASTE STREAMS

The drive to drastically minimise and eventually eliminate "black bag/landfill" waste is one of our main objectives, thus improving on our ambitious targets to increase the recycling rates on all fronts. In this sense, we are constantly seeking innovative and new ways for managing our waste more effectively.

Our membership with GreenPak Coop, as our authorised waste recovery partner, has once again been renewed for the financial year under review.

Furthermore, over the past year, we have also focused further attention on our franchise restaurants to increase the recycling rates of cardboard/paper and other packaging materials, through new standard procedures and measures that have been implemented.

Collection of any Waste Electrical and Electronic Equipment (WEEE) remains ongoing across all Group functions where recycling rates have increased for items that fall within this scheme.

Overall, we continue with our group-wide structured approach toward measuring separately our varied waste streams and respective recovery and recycling rates while introducing new measures as required to ensure we attain and surpass established targets.

EFFECTIVE CIRCULAR ECONOMY

We remain committed to minimising all waste destined to the landfill while adopting circular economy principles to ensure waste can be transformed to a resource wherever possible and practical. Internally, such practices are being applied to our raw materials and the manufacturing and packaging processes amongst others in a manner to streamline resource usage.

We continue focusing and investing in our refillable and returnable glass bottle range and kegs. This initiative is completely aligned with the circular economy principles. We expect that this initiative will be supported by evolving consumer trends that are increasingly recognising the relevance and importance of the circular economy.

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 is committed to investing in the learning and development of its employees and teams. The fast pace of change in the world of work today requires continuous learning to ensure that employees are regularly upskilled and reskilled to work effectively in a digitalised and automated manufacturing environment. Training programmes across Farsons Group are organised to meet the requirements of each job and enhance the capabilities of employees. The Group believes that a trained and educated workforce is a resource which enhances its competitivity on the market.

Challenges arising from the pandemic in the organisation of training were still prevalent in the Financial Year 2021-2022, but the commitment to build on our human resources capabilities was undiminished with programmes organised addressing technical, transversal, management and leadership skills. During this financial year, a total of 6,883 hours of training were delivered across all employee categories, for 1,893 participants. This includes all Group employees but excludes Food Chain crew who carry out training requirements as per international franchise guidelines.

The Group continued to sponsor employees seeking 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.

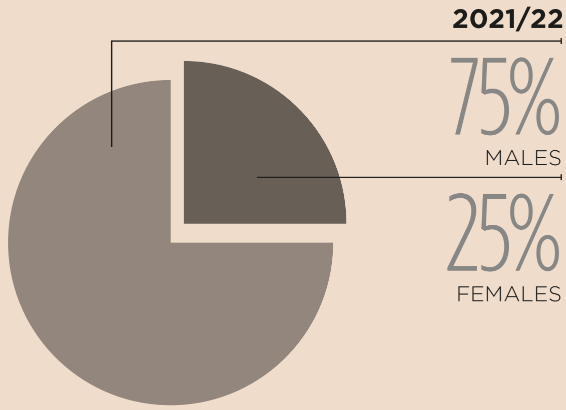
EVALUATION AND APPRAISAL

Managing performance of our people and teams is critical for the success of the Farsons Group. All employees are included in the Performance Management Programme which is a periodic appraisal initiative based on objective setting and regular feedback on performance. Each employee, regardless of gender or employee category, is included and a regular review 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 held for reviewers enable them to develop the right skills and competences to drive the performance review of their team members.

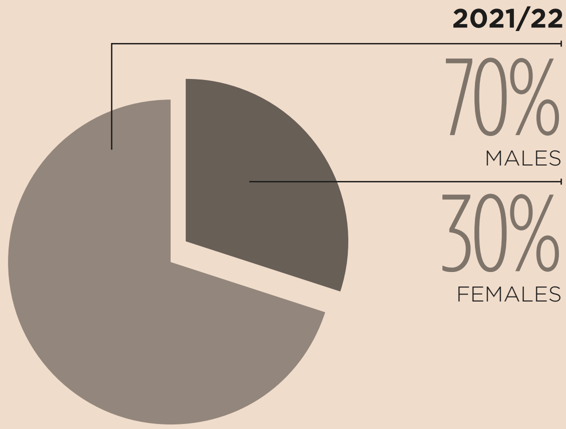
DIVERSITY, INCLUSION AND EQUALITY

SFC 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 in access to goods and services. The Group continues with its commitment to implement and sustain its 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.

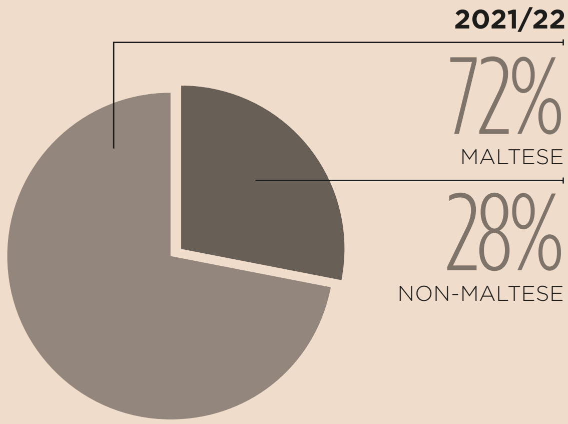
Governance of the Farsons Group by gender



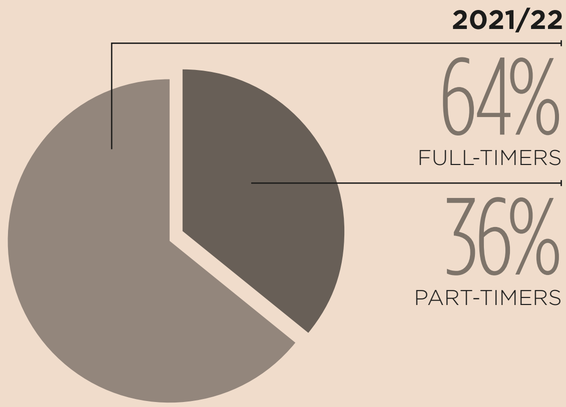
Employees of the Farsons Group by gender



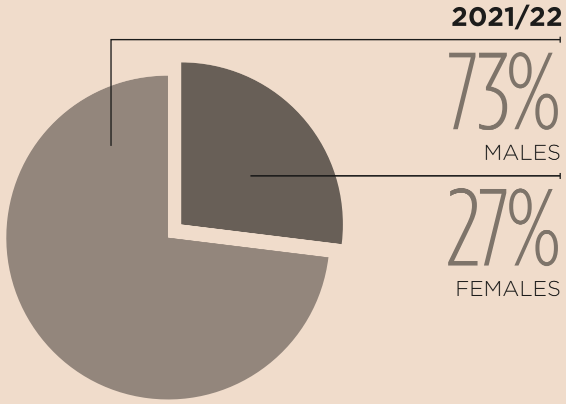
Employees of the Farsons Group by nationality



Employees of the Farsons Group by type of engagement



Management of the Farsons Group by gender



WORKPLACE SAFETY

The COVID-19 pandemic impacted the world of work for the second consecutive year. It has continued to impact workers and workplaces, including at Farsons. It has changed the workplace environment and increased workers' concerns about economic insecurity, mental health and physical well-being, isolation, and the challenges of working remotely before safely returning to the workplace.

However, equipped with the experience gained from the previous year, we were better prepared to anticipate the risk and react quickly and in time to control the spread of new cases. The commitment from the Senior Management and the cooperation from the vast majority of the workforce, most of whom are vaccinated, ensured that the situation remained under control.

Among the many lessons learned from this crisis was the need for workplaces to have a sound and resilient OHS management system. A system can build the capacity to face future emergencies and protect workers' safety and health while supporting survival and business continuity.

Providentially Farsons was already in the course of developing such a management system based on reputable, tried and tested international standards. As a result, Farsons continued addressing the pandemic's emerging needs without losing the focus on the other equally important aspects of health and safety at the workplace. We managed to reduce the number of total incidents at the workplace by almost 13% and the number of lost days by over 30%. When taking into account that the past year was significantly busier in terms of activity than the former, the statistics are even more encouraging.

This success in terms of significantly fewer incidents and lost working days is no coincidence. This is attributed to the continuous improvement strategy adopted by the Group. The regular reviews of proactive risk assessments, frequent workplace inspections, quick and detailed investigations of accidents followed by recommendations to avoid recurrence, the continuous multi-directional communication with all parties concerned, and the solid training platform are the foundations we continue to build on.

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.

Farsons remains committed and is well-positioned to satisfy the increasing demand for low or no sugar variants by continuing to develop its portfolio offering a vast range of products and packages which allow consumers to select those that are relevant and best-suited to their own needs and requirements.

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 continued social and economic uncertainties brought about by COVID-19 and notwithstanding the toll in terms of an uncertain and volatile market, Farsons' engagement with the community remained as strong during the pandemic as it was during better days. We maintained our pledged contributions to Hospice Malta and supported a host of national organisations in their worthy initiatives including those 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 Group also runs an Employee Assistance Programme for employees and their families with the support of The Richmond Foundation.

THE FARSONS FOUNDATION

The Farsons Foundation was established on 22 March 1995 on the initiative of the Board of Directors of Simonds Farsons Cisk plc. It was set up with the main objectives of promoting, diffusing, and safeguarding of Maltese culture, heritage, and social solidarity. 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 this support is even more crucial during the times of a pandemic, and that the Company's contribution should not be in any way scaled down notwithstanding the negative financial impact of COVID-19. The Farsons Foundation remained active throughout the year and the support of Malta's culture, heritage, industrial traditions and of deserving causes of a philanthropic nature proved invaluable especially where alternative sources of funding were at best reduced and at worst completely wiped out.
During this financial year, the Farsons Foundation met various requests for sponsorship besides the significant support it pledged to Hospice Malta over a three-year period towards their St Michael Hospice Project and also the recognition it provided to a number of university students through the University of Malta – Farsons Collaboration Agreement. Over the financial year, 39% of the requests met by the Farsons Foundation were related to Social Solidarity, 48% were cultural and historical focused initiatives, and 13% related to educational initiatives and projects.

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 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 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.

COMPLIANCE WITH INTERNATIONAL SANCTIONS

Following the start of the Russia – Ukraine conflict and the subsequent imposition of sanctions in this regard, the Group is committed to full compliance with EU, UN and national sanctions. In order to secure full compliance, the Group will implement the appropriate on-going screening tools as well as such ad hoc controls as are required when dealing with customers and suppliers. An anti-financial crime policy is also being implemented across the Group.

TAXONOMY ELIGIBILITY

In order to achieve the targets established by the European Union of reaching net zero greenhouse gas ('GHG') emissions by 2050, with an interim target of reducing GHG emissions by 55%, compared to 1990 levels, by 2030, the European Commission ('EC') has developed a taxonomy classification system, by virtue of EU Regulation 2020/852, ('the Taxonomy Regulation' or 'the EU Taxonomy'), which establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable.

The EU Taxonomy establishes criteria in terms of six environmental objectives against which entities will be able to assess whether economic activities qualify as environmentally sustainable. In order to qualify as such, an economic activity must be assessed to substantially contribute to one of these environmental objectives, whilst doing no significant harm to the remaining objectives by reference to technical screening criteria established in delegated acts. The economic activity is also required to meet minimum safeguards established in the taxonomy regulation. The six environmental objectives considered by the EU Taxonomy are the following:

Climate change mitigation;
Climate change adaptation;
Sustainable use and protection of water and marine resources;
Transition to a circular economy;
Pollution prevention and control; and
Protection and restoration of biodiversity and ecosystems.

The EC subsequently adopted the Delegated Act supplementing Article 8 of the Taxonomy Regulation ('the Disclosures Delegated Act') in 2021, which establishes the disclosure requirements of entities within the scope of the Taxonomy Regulation. At this stage, this solely comprises entities subject to an obligation to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU (being those entities subject to the Non-Financial Reporting Directive, 'NFRD').

The Disclosures Delegated Act became applicable for the first time on 1 January 2022, with respect to financial reporting periods ended after the 31 December 2021, adopting a phased-in approach to the disclosure requirements of key performance indicators. In the first year of its adoption, non-financial undertakings are only required to disclose their proportion of turnover derived from taxonomy-eligible and non-eligible activities, and the proportion of capital and operating expenditure related to assets which qualify as taxonomy eligible or non-eligible.

Identifying taxonomy-eligible economic activities will serve as a basis for eventually determining taxonomy-alignment of such economic activities with reference to the technical screening criteria established in the Climate Delegated Act and eventually the Environmental Delegated Act to the Taxonomy Regulation.

The following information was prepared in accordance with the disclosure requirement established in the Disclosures Delegated Act. Accordingly, for the purposes of classifying activities as either taxonomy-eligible or non-eligible, the Group has only considered the first two environmental objectives established in the Taxonomy Regulation (being climate change mitigation and climate change adaptation), with reference to the Climate Delegated Act. Taxonomy-eligible activities are considered to be those activities for which technical screening criteria have been established in the Climate Delegated Act. The remaining four environmental objectives will be considered from 1 January 2023, following the adoption of the Environmental Delegated Act, which will establish the list of taxonomy-eligible economic activities (along with the technical screening criteria to determine taxonomy alignment) with respect to the remaining objectives.

Turnover constitutes the revenue generated by the Group from all of its business activities, which for the financial year ended 31 January 2022 relate to the manufacturing, importation and selling of food and beverages together with operation of franchised restaurants, for which currently no technical screening criteria have been established in the Climate Delegated Act. Consequently, at present, such economic activities are not considered as Taxonomy-eligible. As a result, the Taxonomy eligible turnover for the year is zero.

However, draft technical screening criteria for "manufacturing of food products and beverages" have been developed by the platform of sustainable finance for inclusion in the Environmental Delegated Act. Therefore, should this activity be retained in the Environmental Delegated Act when adopted, then the KPI for Taxonomy-eligible turnover will increase in the coming year.

CapEx consists of additions to property, plant and equipment and intangible assets during the financial year ended 31 January 2022 considered before depreciation, amortisation and any re-measurements (including those resulting from revaluations and impairments, if applicable). When determining taxonomy eligibility, the Group has identified economic activity '7.7 Acquisition and ownership of buildings' that falls within the scope of the Taxonomy Regulation in the real estate sector. This results from the investment being carried out on the regeneration of the old brewhouse building which will encompass the leasing of commercial property with the activity classified under NACE Code L68. During the financial year ended 31 January 2022, the Group invested €5.9 million in renovating this building. As a result, the Taxonomy eligible CapEx ratio for the year amounts to 47%.

OpEx constitutes of direct non-capitalised costs incurred during the financial year ended 31 January 2022 that relate to the day-to-day servicing of assets of property, plant and equipment (including also intangible assets) that are necessary to ensure the continued and effective functioning of such assets. The Taxonomy eligible OpEx of the Group for the year is zero.

COMMITMENT TO THE ENVIRONMENT, SOCIAL AND GOVERNANCE MATTERS

In line with its vision and values and as noted extensively in this report, the Group is committed to contributing to matters relating to climate change, the environment and the well-being of our society. To ensure transparency and consistent reporting, the Board commits to introduce a new committee to ensure timely, accurate and transparent reporting on all such matters. The Group's aim is to drive cultural change and to adjust to a sustainable yet profitable business model.

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 notwithstanding the challenges posed by the pandemic and other more recent developments. It is this resolve in difficult times which continues to inspire management to strive for higher standards in much the same way which has distinguished Farsons ever since its foundation in the late 1920s.

Signed by Louis A. Farrugia, Chairman and Marcantonio Stagno D'Alcontres, Vice Chairman on 25 May 2022.

CORPORATE GOVERNANCE STATEMENT

Introduction

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to the Capital Markets Rules which require that SFC, as a Company whose equity securities are listed on a regulated market, should endeavour to adopt the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules. In terms of Capital Markets Rule 5.94, SFC is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Capital Markets 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 and adopted the Code of Principles.

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.

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.

Prior to each meeting Directors are provided 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 Nominations 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 their 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 widely 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 (deceased 25th November 2021)
Baroness Justine Pergola (appointed 13 January 2022)

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:	13
Members attended:	
Mr Louis A. Farrugia	12
Mr Marcantonio Stagno d'Alcontres	13
Marquis Marcus John Scicluna Marshall	13
Dr Max Ganado	11
Mr Roderick Chalmers	13
Ms Marina Hogg	13
Mr Michael Farrugia	12
Baroness Christiane Ramsay Pergola *(deceased 25th November 2021)*	4
Baroness Justine Pergola *(appointed 13th January 2022)*	1

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 Financial 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 the Capital Markets 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 2022, 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 Note 34 to the financial statements, 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 Financial 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 also 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 Financial Report 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 Annual Financial Report.

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:

- 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 Capital Markets Rules.

The Directors' interests in the share capital of the Company as at 31 January 2022 and as at 30 April 2022 are disclosed in the Shareholder Information section of this Annual Financial 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.

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".

The Memorandum and Articles of Association of the Company provide for the appointment of Directors as 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. However, in recognition of evolving standards of good corporate governance, the Corporate Governance Committee has initiated discussions concerning the composition of the Board and succession policies in relation thereto. An active succession policy is however in place for senior executive positions in the Company including that of the Group Chief Executive.

Internal controls

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.

Cybersecurity

As part of its effort to combat cybersecurity, SFC have implemented, and continue to implement and upgrade on an ongoing basis, a series of cyber-defense technical layers in place across all systems, also through specialised cybersecurity technical partners that are based on the identified risks, established and new technology trends and recognized industry best practices, with all processes that are also further fine-tuned in response to varied and new cybersecurity related threats as they emerge and are identified accordingly. Besides the many purely technical measures, SFC also ensures adequate user awareness on cybersecurity matters that includes informing, educating and testing employees to help protect the business against forms of cybercrimes, including phishing and other social-engineering related threats. Moreover, SFC also liaises as required with local and international related authorities such as the National Cyber Security Committee to keep updated on related matters and to enhance awareness on specific local cyber risks and threats.

To complement all the above, SFC have engaged a highly specialised organisation focused solely on cybersecurity to conduct a cybersecurity assessment for the Group, so as to further reinforce this critical area while also acting as a reference point for any cybersecurity related advice and action.

For business continuity purposes, the IT function has implemented a series of redundancy measures and plans at various system, network and hardware levels that include, but are not limited to, provision of internet service (on which many systems depend) at both physical hardware access levels within our network and outside besides also ensuring varied other internet service provider links for continuity of service, data storage, server and backup management, communication links and others. We continuously test our redundant measures while implementing new measures in line with the IT plan and the Group's expanding and evolving business model.

Code of conduct

The existing Code of Conduct for SFC employees was updated in January 2015 to replace an earlier version that had been approved by the Board of Directors in September 1997. Nevertheless, its basic principles remained unchanged and reinforced the SFC's values of Success, Teamwork, Respect, Integrity, Dynamism and Excellence which are abbreviated by the acronym S.T.R.I.D.E.

SFC's reputation depends on how each of its employees conduct themselves both individually and collectively as a Company. Therefore, the Code of Conduct is intended to serve as general guidance for all employees who are expected to "do the right thing" and to ensure the highest standards of integrity, mutual respect and cordiality contributing to an ethical and professional environment.

The full version of the Code of Conduct is accessible to all employees on the Company's intranet whilst an abridged version is included on the Employee Handbook which is distributed in hard copy to all employees. The Group Human Resources Department promotes and ensure awareness of this document, inter alia by providing all new recruits with adequate training as well as refresher courses for existing employees.

The Code of Conduct makes it clear that the Board condemns any form of bribery and corruption, improper payments as well as money-laundering and has a zero-tolerance attitude to fraud malpractice and wrongdoing, and a commitment to ethics and best practice.

SFC employees have a responsibility to voice their concerns when they suspect/know that their superiors/colleagues are involved in something improper, unethical or inappropriate or have potentially infringed the Code of Conduct. The Speak-Up policy which was approved by the Board of Directors in April 2014 was established to ensure that all cases of suspected wrongdoing are reported and managed in a timely and appropriate manner. This policy sets out the channels which will be put in place to help employees and anyone who works for or with SFC to share any concerns they may have.

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 Company Announcements or other 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 Capital Markets 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.

Signed by Louis A. Farrugia (Chairman) and Marcantonio Stagno d'Alcontres (Vice-Chairman) on 25 May 2022.

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 2022 (FY 2022), 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 in what is becoming an increasingly competitive environment. 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 Capital Markets 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.

ii. ***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 judgement.

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 tables provide a summary of the remuneration for the years ended 31 January 2022 and 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 2022									
Louis A Farrugia	Executive Chairman		26,000		71,957	67,000	45,000	**	209,957
Norman Aquilina	Group Chief Executive				160,520	133,000	11,000		304,520
Michael Farrugia	Executive – Operation & Business Development	*	31,000		85,575	29,500	20,000	**	166,075
Marcantonio Stagno D'Alcontres	Vice-Chairman – Non-Executive		30,000			10,000	12,500		52,500
Roderick Chalmers	Non-Executive		31,000	40,000			6,000		77,000
Max Ganado	Non-Executive		31,000			10,000		**	41,000
Christiane Ramsay Pergola	Non-Executive (deceased 25.11.2021)		18,750					**	18,750
Marina Hogg	Non-Executive		28,000			10,000	6,000		44,000
Marcus John Scicluna Marshall	Non-Executive	*	35,000			10,000	6,000		51,000
Justine Pergola	Non-Executive (appointed 13.01.2022)		1,600					**	1,600

*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 €322,850 (approved limit = €750,000.)

			Board & Committee Fees	Other	Fixed Pay	Variable Pay	Benefits & Allowances		Aggregate
			€	€	€	€	€		€
Directors' Emoluments - Year ended 31 January 2021									
Louis A 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-Executive		30,000				12,500		42,500
Roderick Chalmers	Non-Executive		31,000	24,000			6,000		61,000
Max Ganado	Non-Executive		31,000					**	31,000
Christiane Ramsay Pergola	Non-Executive		25,000					**	25,000
Marina Hogg	Non-Executive		28,000				6,000		34,000
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.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the annual change of remuneration over the two most recent financial years were as follows:

	Change vs 2021
Directors and Group Chief Executive	14%
Average employee remuneration	10%
Performance of the Company – EBITDA	64%

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 2022 and pursuant to the requirements of Capital Markets 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 Capital Markets 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. The total emoluments relating to the Group Senior Management Board members were as follows:

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 Capital Markets Rules.

	Fixed Pay	Variable Pay	Benefits & Allowances	Aggregate
	€	€	€	€
Senior Management Remuneration – year to 31 January 2022				
Senior Management Remuneration	721,094	285,720	105,727	1,112,541

(a) The above table includes the remuneration and related benefits awarded to the members of the Group Senior Management Board (SMB).

	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.

STATEMENTS OF FINANCIAL POSITION

ASSETS

		As at 31 January			
		Group		Company	
		2022	2021	**2022**	2021
	Notes	**€'000**	€'000	**€'000**	€'000
Non-current assets					
Property, plant and equipment	5	**126,939**	121,944	**118,448**	113,863
Right-of-use assets	6	**8,254**	5,526	**185**	187
Intangible assets	7	**2,352**	604	**1,729**	–
Investments in subsidiaries	8	**-**	–	**9,702**	9,202
Deferred tax assets	20	**7,486**	7,565	**8,398**	8,455
Trade and other receivables	10	**696**	865	**696**	865
Total non-current assets		**145,727**	136,504	**139,158**	132,572
Current assets					
Inventories	9	**16,341**	13,752	**8,351**	8,263
Trade and other receivables	10	**23,139**	19,630	**22,282**	24,827
Current tax assets		**5**	5	**-**	–
Cash and cash equivalents	11	**15,720**	17,148	**3,057**	2,664
Total current assets		**55,205**	50,535	**33,690**	35,754
Total assets		**200,932**	187,039	**172,848**	168,326

EQUITY AND LIABILITIES

		As at 31 January			
		Group		Company	
		2022	2021	**2022**	2021
	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	**(100)**	(206)	**(100)**	(206)
Retained earnings		**70,879**	61,451	**66,564**	59,493
Total equity		**129,188**	119,654	**121,601**	114,424
Non-current liabilities					
Trade and other payables	22	**2,648**	2,802	**2,648**	2,802
Lease liabilities	19	**6,811**	4,394	**191**	349
Derivative financial instruments	17	**45**	156	**45**	156
Borrowings	18	**24,081**	33,328	**24,081**	33,328
Provisions for other liabilities and charges	21	**2**	25	**2**	25
Total non-current liabilities		**33,587**	40,705	**26,967**	36,660
Current liabilities					
Trade and other payables	22	**32,905**	21,940	**22,462**	14,517
Lease liabilities	19	**1,479**	1,253	**149**	142
Current tax liabilities		**1,751**	904	**-**	–
Derivative financial instruments	17	**110**	161	**110**	161
Borrowings	18	**1,903**	2,411	**1,550**	2,411
Provisions for other liabilities and charges	21	**9**	11	**9**	11
Total current liabilities		**38,157**	26,680	**24,280**	17,242
Total liabilities		**71,744**	67,385	**51,247**	53,902
Total equity and liabilities		**200,932**	187,039	**172,848**	168,326

The notes on pages 65 to 95 are an integral part of these consolidated financial statements.

The financial statements on pages 58 to 95 were approved and authorised for issue by the Board of Directors on 25 May 2022. The financial statements were signed on behalf of the Company's Board of Directors by Louis A Farrugia (Chairman), Marcantonio Stagno d'Alcontres (Vice-Chairman) and Norman Aquilina (CEO) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2022.

INCOME STATEMENTS

		Year ended 31 January			
		Group		Company	
		2022	2021	**2022**	2021
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	4	**91,768**	73,016	**49,321**	41,391
Cost of sales	23	**(57,359)**	(47,004)	**(26,591)**	(23,028)
Gross profit		**34,409**	26,012	**22,730**	18,363
Selling and distribution costs	23	**(10,655)**	(8,912)	**(7,497)**	(6,689)
Administrative expenses	23	**(10,308)**	(11,427)	**(5,740)**	(6,910)
Operating profit		**13,446**	5,673	**9,493**	4,764
Finance income	26	**-**	–	**35**	25
Finance costs	27	**(1,282)**	(1,246)	**(957)**	(975)
Profit before tax		**12,164**	4,427	**8,571**	3,814
Tax income/(expense)	28	**264**	(1,094)	**1,500**	(934)
Profit for the year		**12,428**	3,333	**10,071**	2,880
Basic and diluted earnings per share for the year attributable to shareholders	30	**€0.4143**	€0.1111		

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			
		Group		Company	
		2022	2021	**2022**	2021
	Note	**€'000**	€'000	**€'000**	€'000
Profit for the year		**12,428**	3,333	**10,071**	2,880
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges net of deferred tax	16	**106**	98	**106**	98
Other comprehensive income for the year		**106**	98	**106**	98
Total comprehensive income for the year attributable to equity shareholders		**12,534**	3,431	**10,177**	2,978

The notes on pages 65 to 95 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 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 other comprehensive income		–	98	–	–	98
Total comprehensive income		–	98	–	3,333	3,431
Balance at 31 January 2021		**9,000**	**(206)**	**49,409**	**61,451**	**119,654**
Balance at 1 February 2021		9,000	(206)	49,409	61,451	119,654
Comprehensive income						
Profit for the year		–	–	–	12,428	12,428
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	106	–	–	106
Total other comprehensive income		–	106	–	–	106
Total comprehensive income		–	106	–	12,428	12,534
Transactions with owners						
Dividends paid	13	–	–	–	(3,000)	(3,000)
Total transactions with owners		–	–	–	(3,000)	(3,000)
Balance at 31 January 2022		**9,000**	**(100)**	**49,409**	**70,879**	**129,188**

COMPANY

	Notes	Share capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
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 other comprehensive income		–	98	–	–	98
Total comprehensive income		–	98	–	2,880	2,978
Balance at 31 January 2021		**9,000**	**(206)**	**46,137**	**59,493**	**114,424**
Balance at 1 February 2021		9,000	(206)	46,137	59,493	114,424
Comprehensive income						
Profit for the year		–	–	–	10,071	10,071
Other comprehensive income:						
Cash flow hedges net of deferred tax	16	–	106	–	–	106
Total other comprehensive income		–	106	–	–	106
Total comprehensive income		–	106	–	10,071	10,177
Transactions with owners						
Dividends paid	13	–	–	–	(3,000)	(3,000)
Total transactions with owners		–	–	–	(3,000)	(3,000)
Balance at 31 January 2022		**9,000**	**(100)**	**46,137**	**66,564**	**121,601**

The notes on pages 65 to 95 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 January			
		Group		Company	
		2022	2021	**2022**	2021
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	31	**27,534**	26,408	**26,613**	10,738
Interest received		**–**	–	**35**	3
Interest paid on lease liabilities		**(269)**	(224)	**(11)**	(7)
Interest paid on borrowings		**(1,013)**	(1,022)	**(946)**	(944)
Income tax paid		**(369)**	(618)	**–**	–
Net cash generated from operating activities		**25,883**	24,544	**25,691**	9,790
Cash flows from investing activities					
Purchase of property, plant and equipment		**(12,678)**	(10,138)	**(11,026)**	(9,008)
Proceeds from disposal of property, plant and equipment		**75**	155	**61**	120
Additions to investments in subsidiaries		**-**	-	**(500)**	-
Institutional investment grants received		**-**	2,500	**-**	2,500
Additions to intangibles		**(557)**	(33)	**(500)**	–
Net cash used in investing activities		**(13,160)**	(7,516)	**(11,965)**	(6,388)
Cash flows from financing activities					
Proceeds from borrowings		**-**	2,700	**-**	2,700
Payments of current and non-current borrowings		**(10,183)**	(2,997)	**(10,183)**	(2,997)
Principal payments of lease liabilities		**(1,321)**	(1,379)	**(150)**	(144)
Dividends paid		**(3,000)**	–	**(3,000)**	–
Net cash used in financing activities		**(14,504)**	(1,676)	**(13,333)**	(441)
Net movement in cash and cash equivalents		**(1,781)**	15,352	**393**	2,961
Cash and cash equivalents at beginning of year		**17,148**	1,796	**2,664**	(297)
Cash and cash equivalents at end of year	11	**15,367**	17,148	**3,057**	2,664

The notes on pages 65 to 95 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 (Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2022

In 2022, the Group and Company adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 February 2021. 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 2021. 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 38 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'.

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 (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.

Franchises and intellectual knowhow are initially shown at historical cost. The useful life of the franchises and intellectual knowhow are periodically assessed and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchises and intellectual knowhow over their estimated useful lives (5 to 25 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 €101,000 (2021: €65,000).

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 2022, potential future cash outflows of €3,885,000 (2021: €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 (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 (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 €5,813,000 (2021: €7,400,000) 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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Financial assets measured at amortised cost				
Trade and other receivables	**20,747**	16,162	**21,376**	22,233
Cash at bank and in hand (Note 11)	**15,720**	17,148	**3,057**	2,664
	36,467	33,310	**24,433**	24,897

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 €2,200,000 (2021: €1,700,000), 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 1.80% (2021: ranging from 0.09% to 3.18%) on all credit sales generated in the preceding 24-months prior to 31 January resulting in a loss allowance of €747,000 (2021: €2,189,000) for the Group and €463,000 (2021: €1,508,000) for the Company.
- An expected loss rate of 100% on all outstanding dues generated before the preceding 24-months prior to 31 January (i.e. all trade receivables exceeding two years) resulting in a loss allowance of €2,170,000 (2021: €1,777,000) for the Group and €1,475,000 (2021: €787,000) 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 2.3% (2021: 3.2%) on all trade loans granted within contract terms classified under stages 1 and 2 resulting in a loss allowance of €1,385,000 (2021: €1,370,000).
- 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 €676,000 (2021: €930,000).

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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
	Expected loss model	Expected loss model	**Expected loss model**	Expected loss model
Trade receivables				
Balance at 1 February	**3,966**	3,322	**2,295**	1,756
Movement in loss allowance recognised in profit or loss during the year	**(1,050)**	644	**(357)**	539
Balance at 31 January	**2,916**	3,966	**1,938**	2,295
Other receivables				
Balance at 1 February	**2,300**	1,157	**2,300**	1,157
Movement in loss allowance recognised in profit or loss during the year	**(238)**	1,143	**(238)**	1,143
Balance at 31 January	**2,062**	2,300	**2,062**	2,300
Total loss allowance as at year end	**4,978**	6,266	**4,000**	4,595

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 2022, outstanding Group trade receivables of less than two years amounting to €17,670,000 (2021: €18,360,000) have an allocated loss allowance of €747,000 (2021: €2,189,000). Outstanding Group trade receivables of more than two years amounting to €2,170,000 (2021: €1,777,000) were fully provided.

As at 31 January 2022, outstanding Company trade receivables of less than two years amounting to €10,000,000 (2021: €9,670,000) have an allocated loss allowance of €460,000 (2021: €1,508,000). Outstanding Company trade receivables of more than two years amounting to €1,475,000 (2021: €787,000) were fully provided.

As at 31 January 2022, outstanding trade loan receivables not overdue amounting to €3,500,000 (2021: €3,203,000) have an allocated loss allowance of €1,385,000 (2021: €1,370,000). Outstanding trade loan receivables overdue amounting to €676,000 (2021: €930,000) 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 (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 2022					
Borrowings	**25,984**	**30,816**	**2,806**	**7,310**	**20,700**
Lease liabilities	**8,290**	**10,453**	**1,618**	**5,972**	**2,863**
Trade and other payables	**35,553**	**35,553**	**32,905**	**2,648**	**–**
	69,827	**76,822**	**37,329**	**15,930**	**23,563**
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	24,742	24,742	21,940	2,802	–
	66,128	74,092	26,895	19,979	27,218

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€'000	€'000	€'000	€'000	€'000
COMPANY					
31 January 2022					
Borrowings	**25,631**	**30,463**	**2,453**	**7,310**	**20,700**
Lease liabilities	**340**	**792**	**7**	**30**	**755**
Trade and other payables	**25,110**	**25,110**	**22,462**	**2,648**	**–**
	51,081	**56,365**	**24,922**	**9,988**	**21,455**
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	14,517	2,802	–
	53,549	60,133	18,197	17,083	24,853

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 2022			
Interest rate derivative			
– Interest-rate swap	**110**	**45**	**155**
31 January 2021			
Interest rate derivative			
– Interest-rate swap	161	156	317

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 2022 and 2021 were as follows:

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Total borrowings (Notes 18 and 19)	**34,274**	41,386	**25,971**	36,230
Less cash at bank and in hand (Note 11)	**(15,720)**	(17,148)	**(3,057)**	(2,664)
	18,554	24,238	**22,914**	33,566
Total equity	**129,188**	119,654	**121,601**	114,424
Total equity and net borrowings	**147,742**	143,892	**144,515**	147,990
Gearing	**12.56%**	16.84%	**15.86%**	22.68%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2022 and 2021 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).

	2022 Level 2	2021 Level 2
	€'000	€'000
Group and Company		
Liabilities		
Interest rate derivative		
– Interest-rate swap (Note 17)	**155**	317

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**
2022				
Revenue	51,252	31,850	15,745	**98,847**
Less: inter-segmental sales	(1,726)	(5,353)	–	**(7,079)**
	49,526	26,497	15,745	**91,768**
Segment results	9,927	1,943	1,576	**13,446**
Net finance costs				**(1,282)**
Profit before tax				**12,164**
Tax income				**264**
Profit for the year				**12,428**
Segment assets	150,309	23,952	10,926	**185,187**
Unallocated assets				**15,745**
Total assets				**200,932**
Segment liabilities	25,796	5,103	4,821	**35,720**
Unallocated liabilities				**36,024**
Total liabilities				**71,744**
Additions to non-current assets	11,041	238	1,399	**12,678**
Depreciation	6,507	308	824	**7,639**
Amortisation	44	–	26	**70**
Depreciation on right-of-use assets	–	–	–	**1,415**
Impairment provision for trade receivables	(595)	(693)	–	**(1,288)**

	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**

5. Property, plant and equipment

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
GROUP				
At 1 February 2020				
Cost or valuation	92,113	3,861	136,375	232,349
Accumulated depreciation and impairment	(11,684)	-	(101,039)	(112,723)
Net book value	**80,429**	**3,861**	**35,336**	**119,626**
Year ended 31 January 2021				
Opening net book value	**80,429**	**3,861**	**35,336**	**119,626**
Additions and commissioned assets	1,007	5,516	3,615	10,138
Disposals	-	-	(663)	(663)
Depreciation	(1,473)	-	(6,341)	(7,814)
Depreciation released on disposals	-	-	657	657
Closing net book value	**79,963**	**9,377**	**32,604**	**121,944**
At 1 February 2021				
Cost or valuation	93,120	9,377	139,327	241,824
Accumulated depreciation and impairment	(13,157)	-	(106,723)	(119,880)
Net book value	**79,963**	**9,377**	**32,604**	**121,944**
Year ended 31 January 2022				
Opening net book value	**79,963**	**9,377**	**32,604**	**121,944**
Additions and commissioned assets	1,230	7,406	4,042	12,678
Disposals	-	-	(309)	(309)
Depreciation	(1,434)	-	(6,205)	(7,639)
Depreciation released on disposals	-	-	265	265
Closing net book value	**79,759**	**16,783**	**30,397**	**126,939**
At 31 January 2022				
Cost or valuation	94,350	16,783	143,060	254,193
Accumulated depreciation and impairment	(14,591)	-	(112,663)	(127,254)
Net book value	**79,759**	**16,783**	**30,397**	**126,939**

	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	€'000	€'000	€'000	€'000
COMPANY				
At 1 February 2020				
Cost or valuation	85,076	3,855	127,344	216,275
Accumulated depreciation and impairment	(10,084)	-	(94,632)	(104,716)
Net book value	**74,992**	**3,855**	**32,712**	**111,559**
Year ended 31 January 2021				
Opening net book value	74,992	3,855	32,712	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 value	**74,756**	**8,845**	**30,262**	**113,863**
At 1 February 2021				
Cost or valuation	86,079	8,845	129,932	224,856
Accumulated depreciation and impairment	(11,323)	-	(99,670)	(110,993)
Net book value	**74,756**	**8,845**	**30,262**	**113,863**
Year ended 31 January 2022				
Opening net book value	74,756	8,845	30,262	113,863
Additions and commissioned assets	286	7,774	2,966	11,026
Disposals	-	-	(251)	(251)
Depreciation	(1,199)	-	(5,198)	(6,397)
Depreciation released on disposals	-	-	207	207
Closing net book value	**73,843**	**16,619**	**27,986**	**118,448**
At 31 January 2022				
Cost or valuation	86,365	16,619	132,647	235,631
Accumulated depreciation and impairment	(12,522)	-	(104,661)	(117,183)
Net book value	**73,843**	**16,619**	**27,986**	**118,448**

Assets in course of construction mainly relate to works carried out during the financial years 2021 and 2022 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 2022, 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 2022 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 are of the opinion that the carrying amount of property, plant and equipment as at 31 January 2022, 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 2022 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 2022.

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 2022				
Current use as manufacturing or related premises	**74,989**	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 2021

Current use as manufacturing or related premises	**75,193**	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

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 2022, the carrying amount of land and buildings would have been €40,996,000 (2021: €41,200,000) 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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cost of sales	**4,922**	5,046	**4,042**	4,269
Selling and distribution costs	**1,566**	1,498	**1,386**	1,356
Administration expenses	**1,151**	1,270	**969**	1,076
	7,639	7,814	**6,397**	6,701

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
	2022	2021
	€'000	€'000
Land & Buildings		
Opening net book value	**5,526**	6,159
Additions	**4,143**	772
Depreciation charge	**(1,415)**	(1,405)
Closing net book value	**8,254**	5,526

	Company	
	As at 31 January	As at 31 January
	2022	2021
	€'000	€'000
Land & Buildings		
Opening net book value	**187**	188
Depreciation charge	**(2)**	(1)
Closing net book value	**185**	187

7. Intangible assets

	Goodwill	Franchises & intellectual knowhow	Total
	€'000	€'000	€'000
GROUP			
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 1 February 2021			
Cost	1,058	5,140	6,198
Accumulated amortisation and impairment	(775)	(4,819)	(5,594)
Net book amount	**283**	**321**	**604**
Year ended 31 January 2022			
Opening net book amount	**283**	**321**	**604**
Additions	-	1,798	1,798
Amortisation	-	(50)	(50)
Closing net book amount	**283**	**2,069**	**2,352**
At 31 January 2022			
Cost	1,058	6,938	7,996
Accumulated amortisation and impairment	(775)	(4,869)	(5,644)
Net book amount	**283**	**2,069**	**2,352**

Closing net book value of the Company's Franchises and intellectual knowhow as at 31 January 2022 amounted to €1,729,000 (2021: nil) represented by additions of €1,741,000 less amortisation of €12,000.

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 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:

	2022	2021
	€'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 2022, 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	
	2022	2021
	€'000	€'000
Year ended 31 January		
Opening net book amount	**9,202**	9,202
Additions	**500**	–
Write-off of investment	**-**	–
Closing net book amount	**9,702**	9,202
At 31 January		
Cost	**13,783**	13,283
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**9,702**	9,202

The principal subsidiaries at 31 January 2022 all of which are unlisted, are disclosed in Note 38 to these financial statements.

9. Inventories

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**2,936**	2,941	**2,607**	2,647
Finished goods and goods for resale	**9,839**	7,137	**2,558**	2,246
Containers and other stocks	**3,566**	3,674	**3,186**	3,370
	16,341	13,752	**8,351**	8,263

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

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cost of sales	**436**	502	**264**	239
Selling, distribution and administrative expenses	**173**	118	**173**	118
	609	620	**437**	357

10. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**696**	865	**696**	865
Current				
Trade receivables	**15,155**	12,543	**8,410**	6,692
Amounts due from subsidiaries	**–**	–	**8,454**	12,989
Indirect taxation	**100**	98	**–**	–
Other receivables and advanced deposits	**7,055**	6,164	**4,698**	4,381
Prepayments and accrued income	**829**	825	**720**	765
	23,139	19,630	**22,282**	24,827
Total trade and other receivables	**23,835**	20,495	**22,978**	25,692

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

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**4,978**	6,266	**4,000**	4,595

The impairment provision for trade and other receivables is disclosed in Note 23 and is included under administrative expenses in the income statements. Bad debts written off against provision in the Group amounted to €623,000 in the year ended 31 January 2022 (Company €123,000). No write-offs were done in the year ended 31 January 2021.

Included in other receivables are advanced deposits on non-current assets not yet commissioned as at year end amounting to €1,426,000 (2021: €2,809,000).

Amounts due to the Company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €665,000 (2021: €654,000) which are subject to an average interest rate of 3.5% (2021: 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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**15,720**	17,148	**3,057**	2,664
Bank overdrafts (Note 18)	**(353)**	–	**–**	–
	15,367	17,148	**3,057**	2,664

12. Share capital

	Company	
	2022	2021
	€'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	
	2022	2021
	€'000	€'000
Interim dividends	**3,000**	–
Dividends paid in cash	**3,000**	–
Total net dividend	**3,000**	–
Euro per share (net)	**0.10**	–

A first net interim dividend of €1,500,000 (€0.05 per share) was paid on 20 October 2021. A second net interim dividend of €1,500,000 (€0.05 per share) was paid on 21 December 2021. No interim dividend was paid during the previous financial year. Interim dividends were paid out of tax-exempt profits.

At the forthcoming annual general meeting, a final net dividend of €4,000,000 (€0.1333 per share) in respect of financial year ended 31 January 2022 is to be proposed.

These financial statements do not reflect this proposed dividend which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2023.

14. Revaluation reserve

	Group		Company	
	2022	2021	**2022**	2021
	€'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 2021 and 31 January 2022	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
COMPANY					
At 31 January 2021 and 31 January 2022	**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 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 (Notes 25 and 27)	(175)
Deferred taxes (Note 20)	62
	(113)
At 31 January 2021	
Gross amounts of losses	318
Deferred taxes (Note 20)	(112)
	206
Movement for the year ended 31 January 2022	
Losses from changes in fair value	31
Deferred taxes (Note 20)	(11)
	20
Transferred to statement of comprehensive income (Notes 25 and 27)	(194)
Deferred taxes (Note 20)	68
	(126)
At 31 January 2022	
Gross amounts of losses	155
Deferred taxes (Note 20)	(55)
	100

The net fair value losses recognised in equity at 31 January 2022 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 2022	
Interest rate derivative – interest–rate swap	**155**
Total recognised derivative liabilities	**155**
At 31 January 2021	
Interest rate derivative – interest–rate swap	317
Total recognised derivative liabilities	317

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

	2022	2021
	€'000	€'000
DERIVATIVES FINANCIAL LIABILITIES		
Non-current	**45**	156
Current	**110**	161
	155	317

(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 €12,400,000 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.

Gains and losses recognised in the hedging reserve in equity (Note 16) on the interest rate swap contracts as of 31 January 2022 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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Non-current				
Bonds	**19,818**	19,785	**19,818**	19,785
Bank loans	**4,263**	13,543	**4,263**	13,543
	24,081	33,328	**24,081**	33,328
Current				
Bank overdrafts	**353**	–	**–**	–
Bank loans	**1,550**	2,411	**1,550**	2,411
	1,903	2,411	**1,550**	2,411
Total borrowings	**25,984**	35,739	**25,631**	35,739

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

	Group		Company	
	2022	2021	**2022**	2021
	€'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	**(123)**	(90)	**(123)**	(90)
Net book amount	**182**	215	**182**	215
Amortised cost	**19,818**	19,785	**19,818**	19,785

By virtue of an offering memorandum dated 31 July 2017, the Company issued €20,000,000 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 2022 for the 3.5% Bonds 2017-2027 was €103.

The Group's and the Company's banking facilities as at 31 January 2022 and 2021 amounted to €22,144,000 and €41,285,000 for the Group, and €13,812,500 and €32,954,000 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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
At floating rates	**6,166**	15,954	**5,813**	15,954
At fixed rates	**19,818**	19,785	**19,818**	19,785
Total borrowings	**25,984**	35,739	**25,631**	35,739

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	
	2022	2021	**2022**	2021
	%	%	**%**	%
Bank loans	**2.00**	1.35	**2.00**	1.35
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, refer to Note 2.

19. Lease liabilities

	Group	
	As at 31 January 2022	As at 31 January 2021
	€'000	€'000
Non-current		
Land & Buildings	**6,791**	4,227
Plant, machinery & equipment	**20**	167
	6,811	4,394
Current		
Land & Buildings	**1,345**	1,121
Plant, machinery & equipment	**134**	132
	1,479	1,253
Total lease liabilities	**8,290**	5,647

	Company	
	As at 31 January 2022	As at 31 January 2021
	€'000	€'000
Non-current		
Land & Buildings	**171**	182
Plant, machinery & equipment	**20**	167
	191	349
Current		
Land & Buildings	**15**	8
Plant, machinery & equipment	**134**	134
	149	142
Total lease liabilities	**340**	491

	Group	
	As at 31 January 2022	As at 31 January 2021
	€'000	€'000
Land & buildings		
At beginning of the year	**5,346**	5,947
Additions	**4,143**	772
Interest payments	**263**	214
Principal payments	**(1,434)**	(1,447)
Other movements	**(182)**	(140)
At end of year	**8,136**	5,346

	Company	
	As at 31 January 2022	As at 31 January 2021
	€'000	€'000
Land & buildings		
At beginning of the year	**189**	190
Interest payments	**5**	7
Principal payments	**(8)**	(8)
At end of year	**186**	189

	Group and Company	
	As at 31 January 2022	As at 31 January 2021
	€'000	€'000
Plant, machinery & equipment		
At beginning of the year	**301**	444
Interest payments	**6**	10
Principal payments	**(153)**	(153)
At end of year	**154**	301

Included in the lease liabilities for land & buildings of the Group are amounts of €3,863,000 (2021: €400,000) 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	
	2022	2021	**2022**	2021
	%	%	**%**	%
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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
At beginning of year	**(7,565)**	(8,195)	**(8,455)**	(9,442)
Debited to income statements (Note 28)	**22**	577	**–**	934
Net tax effect of re-measurement of derivatives	**57**	53	**57**	53
At end of year	**(7,486)**	(7,565)	**(8,398)**	(8,455)

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% (2021: 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% (2021: 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, the Group and Company have reviewed the extent to which the related deferred tax may be utilised in the foreseeable future. No further recognition of deferred tax credits on investment aid were made during the current year (2021: De-recognition of €1,825,000).

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 (2021: €1,330,000).

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 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)**
At 1 February 2021	2,883	(13,360)	367	(129)	4,917	(2,243)	(7,565)
Income statements	(197)	–	–	–	–	219	22
Equity	–	–	57	–	–	–	57
At 31 January 2022	**2,686**	**(13,360)**	**424**	**(129)**	**4,917**	**(2,024)**	**(7,486)**
COMPANY							
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)**
At 1 February 2021	3,041	(13,360)	(112)	–	4,062	(2,086)	(8,455)
Income statements	(151)	–	–	–	–	151	–
Equity	–	–	57	–	–	–	57
At 31 January 2022	**2,890**	**(13,360)**	**(55)**	**–**	**4,062**	**(1,935)**	**(8,398)**

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 2022, the Group and the Company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Unutilised tax credits	**23,322**	26,222	**23,322**	26,222

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 have unrecognised tax credits in the form of investment tax credits of €23,351,000 (2021: €26,222,000). The unrecognised investment tax credits of €23,322,000 as at 31 January 2022, have no expiry date.

21. Provisions for other liabilities and charges

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Termination benefit provisions				
At 1 February	**36**	86	**36**	86
Charged to profit and loss	**17**	13	**17**	13
Utilised during the year	**(42)**	(63)	**(42)**	(63)
At 31 January	**11**	36	**11**	36

The Group and Company have 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 2022 total €17,000 while for 2021 total €13,000 (Note 23). It is anticipated that €9,000 (2021: €11,000) of the provision will be paid during the financial year ending 31 January 2023.

22. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Non-current				
Capital and other payables	**2,648**	2,802	**2,648**	2,802
Current				
Trade payables	**6,077**	5,307	**2,523**	1,657
Capital and other payables	**3,196**	2,840	**3,176**	2,820
Amounts due to subsidiaries	**–**	–	**672**	300
Amounts owed to related parties	**–**	–	**–**	–
Indirect taxes and social security	**12,181**	5,601	**8,863**	3,860
Accruals and deferred income	**11,451**	8,192	**7,228**	5,880
	32,905	21,940	**22,462**	14,517
Total trade and other payables	**35,553**	24,742	**25,110**	17,319

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 2022, capital and other payables include institutional grants amounting to €2,802,000 (2021: €2,956,000) 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 €2,648,000 (2021: €2,802,000). 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 2022, accruals and deferred income include an amount of €1,800,000 (2021: €1,300,000) 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 (Note 33).

23. Expenses by nature

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (Note 5)	**7,639**	7,814	**6,397**	6,701
Depreciation of right-of-use assets (Note 6)	**1,415**	1,405	**2**	1
Profit on disposal of property, plant and equipment (Note 5)	**(31)**	(149)	**(16)**	(120)
Employee benefit expense (Note 24)	**17,366**	15,323	**10,095**	8,984
Termination benefits (Note 24)	**17**	13	**17**	13
Directors' emoluments (Note 29)	**792**	651	**792**	651
Raw materials, imported goods and consumables	**43,485**	33,361	**11,536**	10,067
Movement in inventory levels of finished goods and work in progress (Note 9)	**2,702**	(2,166)	**314**	(419)
Increase/(Decrease) in loss allowances (Note 10)	**(666)**	1,787	**(472)**	1,682
Amortisation of intangible assets (Note 7)	**50**	41	**12**	–
Other expenses	**5,553**	9,263	**11,151**	9,067
Total cost of sales, selling and distribution costs and administrative expenses	**78,322**	67,343	**39,828**	36,627

Operating profit is stated after crediting deferred institutional grants amounting to €154,000 (2021: €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 2022 and 2021 relate to the following:

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**170**	157	**100**	87
Other assurance services	**11**	8	**9**	8
Tax advisory and compliance services	**13**	18	**10**	13
Other non-assurance services	**2**	14	**2**	13
	196	197	**121**	121

24. Employee benefit expense

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Wages and salaries	**15,971**	13,994	**10,714**	9,583
Social security costs	**1,338**	1,277	**822**	816
Other employee related costs	**57**	52	**57**	52
	17,366	15,323	**11,593**	10,451
Recharged to subsidiaries	**-**	–	**(1,498)**	(1,467)
	17,366	15,323	**10,095**	8,984
Termination benefits	**17**	13	**17**	13
	17,383	15,336	**10,112**	8,997

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

	Group		Company	
	2022	2021	**2022**	2021
Brewing, production and sale of branded beers and beverages	**455**	467	**437**	449
Importation, wholesale and retail of food and beverages, including wines and spirits	**99**	95	**–**	–
Operation of franchised food retailing establishments	**248**	228	**–**	–
	802	790	**437**	449

Employee benefit expense for financial year 2022 above amounting to €17,366,000 (Company €10,095,000) 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 €2,900,000 (Company €1,200,000).

Employee benefit expense for financial year 2021 above amounting to €15,323,000 (Company €8,984,000) is stated net of COVID-19 wage supplement paid by the Government of Malta to the Group to support the payment of employees' wages and salaries amounting to €3,200,000 (Company €1,500,000).

25. Net exchange differences

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

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**25**	27	**10**	(11)

26. Finance income

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Interest on amounts owed by subsidiaries	**–**	–	**35**	25

27. Finance costs

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Interest on bank loans and overdrafts	**186**	361	**151**	293
Interest rate subsidy	**(102)**	(237)	**(102)**	(237)
Lease interest	**269**	224	**14**	17
Interest on bonds	**700**	700	**700**	700
Fair value loss on derivative financial instruments	**194**	175	**194**	175
Other finance costs	**35**	23	**-**	27
	1,282	1,246	**957**	975

During the year ended 31 January 2022, the Company was granted net interest subsidy amounting to €102,000 (2021: €237,000) from Malta Enterprise related to approved investment loans of €5,812,000 (2021: €7,400,000). A net effective interest rate of 2.21% (2021: 0.84%) 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 (income) /expense

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Current tax expense	**1,214**	517	**–**	–
Deferred tax charge (Note 20)	**22**	577	**–**	934
Redemption of unrecognised conversion tax credits	**(1,500)**	–	**(1,500)**	–
Tax (income)/expense	**(264)**	1,094	**(1,500)**	934

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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Profit before tax	**12,164**	4,427	**8,571**	3,814
Tax on profit at 35%	**4,257**	1,549	**3,000**	1,335
Tax effect of:				
Benefits available under the Business Promotion Act, comprising tax credits and allowances	**–**	–	**–**	–
Movement in unrecognised deferred tax assets/ conversion tax credits	**(4,419)**	(28,312)	**(4,419)**	(28,312)
Tax effect of expired unrecognised conversion tax credits	**–**	28,038	**–**	28,038
Over provision in unrecognised and recognised deferred tax related to prior years	**–**	(83)	**–**	–
Non-taxable income or allowable expenses	**(102)**	(98)	**(81)**	(127)
Tax (income)/expense	**(264)**	1,094	**(1,500)**	934

The movement in unrecognised deferred tax assets shown above arose from the expiry of certain conversion tax credits on 31 December 2020 (FY 2021). Refer to Note 20.

29. Directors' emoluments

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**232**	237	**232**	237
Salaries	**157**	155	**157**	155
Other emoluments	**403**	259	**403**	259
Total Directors' remuneration	**792**	651	**792**	651

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	
	2022	2021
Profit attributable to shareholders (€'000)	**12,428**	3,333
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	**€0.4143**	€0.1111

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	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Operating profit	13,446	5,673	9,493	4,764
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	7,639	7,814	6,397	6,701
Depreciation of right-of-use assets (Note 6)	1,415	1,405	2	1
Profit on disposal of property, plant and equipment (Note 23)	(31)	(149)	(16)	(120)
Rent rebates	(177)	(138)	–	–
Amortisation of intangible assets (Note 7)	50	41	12	–
Amortisation of institutional grant (Note 23)	(154)	(154)	(154)	(154)
Amortisation of bond issue costs (Note 18)	33	32	33	32
(Decrease)/Increase in provision for impairment of trade and other receivables (Note 10)	(666)	1,787	(472)	1,682
Provision for termination benefits (Note 21)	17	13	17	13
	21,572	16,324	15,312	12,919
Changes in working capital:				
Inventories	(2,588)	3,020	(90)	1,162
Trade and other receivables	(2,340)	5,882	3,520	(4,675)
Trade and other payables	10,890	1,182	7,871	1,332
Cash generated from operations	27,534	26,408	26,613	10,738

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 64.

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	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Authorised but not contracted	1,640	6,278	–	4,693
Contracted but not provided for	4,492	12,706	4,492	12,132
	6,132	18,984	4,492	16,825

Investment commitment

The Group has entered into a commitment to invest an amount of €2,900,000 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	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Not later than 1 year	–	56	–	–

33. Contingent liabilities

At 31 January 2022, the Group and the Company had contingent liabilities amounting to €866,000 (2021: €779,000) and €88,000 (2021: €83,000) 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 enquiries, the eventual outcome of which remains uncertain (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	
	2022	2021
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% (2021: 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	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Income from goods and services				
– Sales of goods to subsidiaries	**–**	–	**1,666**	1,457
– Sales of goods to related parties	**175**	266	**88**	217
– Recharge of costs to subsidiaries	**–**	–	**1,083**	1,160
– Recharge of payroll costs to subsidiaries	**–**	–	**1,974**	2,252
– Recharge of payroll costs to a related party	**96**	135	**96**	95
– Finance income on loans to subsidiaries	**–**	–	**22**	25
	271	401	**4,929**	5,206
Expenditure for goods and services				
– Purchases of goods from subsidiaries	**–**	–	**1,213**	947
– Purchases of goods and services from related parties	**697**	645	**651**	610
– Rental expenses from related parties	**787**	703	**–**	–
– Finance costs on loans from subsidiaries	**–**	–	**1**	30
	1,484	1,348	**1,865**	1,587

Key management personnel compensation, consisting of Directors' and Senior Management remuneration, is disclosed as follows:

	Group	
	2022	2021
	€'000	€'000
Directors (Note 29)	**792**	651
Senior Management	**1,113**	968
	1,905	1,619

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. Events after the reporting period

The geopolitical situation in Eastern Europe intensified in February 2022 following Russia's invasion of Ukraine. This, together with the economic aftermath of COVID and the impact of China's "zero COVID" policies are resulting in product and commodity shortages, disrupted supply chains, soaring shipping costs and surging inflationary pressures, the latter raising the prospects of increases in interest rates. As a result of the above, business confidence globally is being adversely affected and the World Bank has downgraded economic growth forecasts for 2022 and 2023. The potential impact of these evolving market factors and conditions cannot be quantified at the time of the approval of these financial statements.

36. Statutory information

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

37. 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.

38. Subsidiaries

The principal subsidiaries at 31 January 2022 are shown below:

			Percentage of shares held	
	Registered office	**Principal activities**	**2022**	2021
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
The Brewhouse Company Limited	The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara	Operation of brand visitor's attraction, retail stores, food retailing establishment and office space	**100**	–

SHAREHOLDER INFORMATION

Directors' interests in the share capital of the Company

	Ordinary shares held as at 31 January 2022	Ordinary shares held as at 30 April 2022
Louis A. Farrugia	30,223	30,223
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Baroness Christiane Ramsay Pergola (deceased 25 November 2021)	54,140	54,140
Marquis Marcus John Scicluna Marshall	27,456	27,456
Marcantonio Stagno d'Alcontres	3,430	3,430
Dr Max Ganado	1,500	1,500

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 2022 to 30 April 2022.

Shareholders holding 5% or more of the equity share capital as at 30 April 2022

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 30 April 2022, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,994

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 30 April 2022

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	759	172,698	0.58%
501 – 1,000	399	290,597	0.97%
1,001 – 5,000	646	1,382,947	4.61%
More than 5,000	190	28,153,758	93.84%
	1,994	30,000,000	100.00%

Antoinette Caruana
Company Secretary

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FIVE YEAR SUMMARISED GROUP RESULTS

		2022	2021	2020	2019	2018
		€'000	€'000	€'000	€'000	€'000
Revenue		**91,768**	73,016	103,491	99,798	95,331
Operating costs		**(78,322)**	(67,343)	(89,801)	(84,464)	(81,005)
Operating profit		**13,446**	5,673	13,690	15,334	14,326
Changes in fair value of investment property		**–**	–	–	–	(89)
Share of results of associate		**–**	–	–	–	–
Net finance costs		**(1,282)**	(1,246)	(1,370)	(1,239)	(1,207)
Profit/(loss) before taxation arising from:						
– continuing operations		**12,164**	4,427	12,320	14,095	13,455
– discontinued operations		**–**	–	–	–	(425)
Tax		**264**	(1,094)	(451)	1,036	732
Profit attributable to Ordinary shareholders		**12,428**	3,333	11,869	15,131	13,762
Net dividends paid on Ordinary shares		**3,000**	–	4,000	3,600	40,611
Shareholders' funds		**129,188**	119,654	116,223	108,273	96,632
Lease liabilities		**8,290**	5,647	6,391	–	–
Borrowings (net of cash and cash equivalents)		**10,264**	18,591	34,146	33,117	39,114
Total capital employed (adjusted)		**147,742**	143,892	156,760	141,390	135,746
Fixed Assets		**137,545**	128,074	126,397	117,254	118,049
Non-current Assets		**8,182**	8,430	9,890	10,300	9,051
Current Assets (excluding cash and cash equivalents)		**39,485**	33,387	43,246	35,864	32,708
Assets held for sale		**–**	–	–	–	–
Liabilities (excluding cash borrowings and lease liabilities)		**(37,470)**	(25,999)	(22,773)	(22,028)	(24,062)
Total assets less liabilities (excluding net borrowings)		**147,742**	143,892	156,760	141,390	135,746
Shares in issue during the financial year:						
– Ordinary shares	*'000*	**30,000**	30,000	30,000	30,000	30,000
Number of Ordinary shareholders at year end		**1,997**	1,991	1,922	1,886	1,887
Earnings per Ordinary share (Note 30)		**€ 0.414**	€ 0.111	€ 0.396	€ 0.504	€ 0.459
Return on average capital employed	*percentage*	**9.7**	3.9	9.4	11.1	9.8
Dividend cover	*times*	**4.14**	–	2.97	4.20	4.05
Dividends per Ordinary share (net of tax)		**€ 0.10**	–	€ 0.133	€ 0.120	€ 0.113
Net asset value per Ordinary share		**€ 4.31**	€ 3.99	€ 3.87	€ 3.61	€ 3.22
Gearing	*percentage*	**12.56**	16.84	25.86	23.42	28.81

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.

pwc

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 2022, 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 comprise:

- the Consolidated and Parent Company statements of financial position as at 31 January 2022;
- 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 2021 to 31 January 2022, are disclosed in Note 23 to the financial statements.

Our audit approach

Overview

- Overall group materiality: €608,200, which represents 5% of profit before tax.

- The Group is composed of 8 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	€608,200
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €30,410 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 8 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work 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 Financial 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, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6.

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of Simonds Farsons Cisk plc for the year ended 31 January 2022, entirely prepared in a single electronic reporting format.

Responsibilities of the directors
The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities
Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:
- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

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

Opinion
In our opinion, the Annual Financial Report for the year ended 31 January 2022 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Financial Report 2022* 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 Financial 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 Financial Report 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report and Statement by the directors on non-financial information 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 Financial Report 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
Corporate Governance Statement The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets 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 Capital Markets 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 Capital Markets 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 Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Remuneration report The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets 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 Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

Area of the Annual Financial Report 2022 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 Capital Markets 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 74 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

Simonds Farsons Cisk Plc

Annual Report 2021/22

FARSONS GROUP

Farsons

Simonds Farsons Cisk plc

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