
FARSONS GROUP
Farsons

Simonds Farsons Cisk Plc

# Annual Report

2023/24

For the year ended
31 January 2024

*Decommissioned brewhouse forming part of The Farsons Brewery Experience*

FARSONS GROUP
Farsons

## SIMONDS FARSONS CISK PLC

# CONTENTS

Annual Report for the year ended 31 January 2024



Readers are reminded that the official statutory Annual Financial Report 2023/24, 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 2023/24, 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

At the 77th Annual General Meeting of the Company to be held at the Trident Park Conference Hall on 27 June, I will be presenting my 12th address as Chairman of the Board. It will also happen to be my 50th anniversary of working for Farsons and I do not believe I missed attending any of the last 50 Annual General Meetings! I believe that there must be some shareholders who have accompanied me along this long journey!

Last year we reported that our businesses had recovered well after the end of the COVID-19 pandemic which the World Health Organisation (WHO) officially declared had ended in May 2023. In particular, tourism recovered strongly as did the 'take home' retail sector. We reported a substantial increase in both Group Turnover and Profit after tax. As a result, we were able to announce a return to the normal pattern of declaring dividends.

I am happy to report that the trend of increases across our trading activities has continued throughout this financial year under review. In the calendar year 2023, tourist arrivals hit a record of just under 3 million, aided both by the additional number of airlines flying to Malta and the opening up of new source markets. Malta's economy once again grew above the EU average with GDP growth for 2023 registered at 5.6% compared to the EU average of 0.4%.

Group Turnover increased across all the business segments. It reached €132.9 million, an increase of a further 12.4% on the €118.2 million reported last year. Gross Profit before expenses increased from €44.2 million to €49.5 million and operating profit after expenses increased from €16.7 million to €17.4 million. Profit after tax at €15.3 million remained at much the same level of that reported in FY 2023.

The principal reasons for flat profits notwithstanding higher turnover are varied. In a competitive market we have not been able to pass on all inflationary cost increases. Labour market conditions remain tight with shortages of skilled personnel experienced across all grades. Whereas the main concerns are around the difficulties faced in attracting and retaining the appropriate skills – extended shortages in the labour pool inevitably cause wage inflation to emerge. The start-up phase of The Brewhouse coming on line during the

Photo by Joe Smith

year has also impacted results, and the higher tax charge is due to the improved results of our subsidiary companies.

EBITDA reported in FY 2024 increased from €26.4 million to a record €27.8 million.

Once again, substantial capital investment has been deployed within the brewery complex. During the year under review, we completed the restoration and rehabilitation of The Brewhouse into a destination housing various leisure activities. In fact, we can report that the amenities sited in The Brewhouse namely 'THE CISK TAP', 'Chapels Gastrobrewpub', 'Kettles Café Bistro Bar', 'Farsons Brewery Experience and Brandstore' have all completed their first year of operation and are now generating a positive cash flow and are targeted to become profitable in the next 2 to 3 years. Certainly, all the outlets have proved popular both with the growing number of employees now occupying the rented office spaces of Trident Park and The Brewhouse.

One measure of the success of this investment is the number of awards the Group received both from architectural competitions and general business performance. I can highlight two, namely the Malta Stock Exchange 'Company of the Year' award for the financial results achieved and the coveted Din L-Art Helwa award Prix d'Honneur for the 'Regeneration of an Area' category as the best winner

"The original brewhouse served the Farsons Group nobly for over 60 years; it has now been restored to its former glory, and in a different guise will serve the Group and our iconic brands for generations to come."

overall in all categories. The original brewhouse served the Farsons Group nobly for over 60 years; it has now been restored to its former glory, and in a different guise will serve the Group and our iconic brands for generations to come.

We have settled down to a good working relationship with Trident Estates plc who owns Trident Park and who report a high rate of committed office tenancy agreements and occupancy.

"The Farsons Group is now unrecognisable from that of a decade ago. Not only has the operation changed visibly, but more importantly the Company's management and employees are professionally more prepared to look at new ideas and ready to venture into new revenue streams"

Last year I also reported that your Board has approved the construction of a new logistics centre in Handaq for our Food business. I also informed you, that your Board was studying the benefits that would accrue to the shareholders if the Food business was organised under a separate listed company. I can report that the construction of the centre has started and is scheduled to be completed by the end of 2026. A decision will be taken over this current year whether a spin-off of the food business will be of benefit to the shareholders as a whole, and the matter will be brought before the shareholders in due course.

During this current year, we also intend to proceed with an investment in a state-of-the-art automated returnable logistics facility at Mriehel. This will be completed by the summer of 2026. Taken together, these two capital projects will involve an investment in excess of €30 million. As always, the Group retains part of its profits to invest for the future.

Some success was achieved in our export business. Cisk continued to perform well in the Middle East market of Bahrain and Kinnie is growing in Australia after a change in the distribution and franchise arrangements. Plans are also in place to market Kinnie in Ghana, with negotiations in progress on a franchise agreement with a reputable beverage concern.

Succession issues at senior and middle management level continued to occupy the Remuneration and Corporate Governance Committee and my own time. We have made some important decisions which will become effective in the months and years ahead.

The Farsons Group is now unrecognisable from that of a decade ago. Not only has the operation changed visibly, but more importantly the Company's management and employees are professionally more prepared to look at new ideas and ready to venture into new revenue streams. These include The Brewhouse Company Limited which is also promoting a number of craft beers brewed at the microbrewery housed within The Brewhouse itself. These craft beers are now also being sold in a number of selected pubs under the brand name 'The Red Mill Brewing Co.'

I am pleased to announce that your Board is recommending a final dividend of 11 cents per share. Together with the 5 cents per share that was paid last October as an interim dividend, the total amount payable for this past year amounts to 16 cents per share amounting to €5.76 million. This is an increase of 3.2% over last year and represents the highest annual distribution of dividends in the history of the Group.

Managing compliance in the cumbersome regulatory environment we are operating in at this time, is becoming more demanding on management and the Board. We are equipping ourselves with the necessary resources. Farsons has always endeavored to be a model employer and its commitment to the local community is undoubted. This year's Statement by the Directors on Non-Financial Information highlights the various initiatives undertaken by the Group on environmental, social and governance aspects which manifest our commitment, as we embrace the transition to comply with the Corporate Sustainability Reporting Directive.

I wish to take this opportunity to thank my colleague directors and management team for their support throughout this past year. In particular, I thank our CEO Norman Aquilina and his deputy Michael Farrugia and indeed their team of managers for their contribution in the realisation of these results.

And finally, a word of thanks to our legal advisors Messrs Mamo TCV and a special recognition to our auditors PricewaterhouseCoopers (PwC) who have just completed their final audit of the Group. In accordance with the provisions of Article 151A of the Companies Act (Cap 386), PwC are not eligible for re-appointment as statutory auditors of the Group. They have been the auditors for the Group since 1948 and having been re-appointed annually without any interruption in the engagement. We are grateful to them for all the support that they have extended over their 76-year tenure as auditors to Simonds Farsons Cisk plc.

**Louis A. Farrugia**
**Chairman**
29 May 2024


REPLACEMENT

# BOARD OF DIRECTORS

## SIMONDS FARSONS CISK PLC

*From left: Mr Neil Psaila, Mr Michael Farrugia, Ms Marina Hogg, Mr Marcantonio Stagno d'Alcontres, Mr Louis A. Farrugia, Mr Roderick Chalmers, Dr Max Ganado, Mr Matthew Marshall, Ms Nadine Magro – Company Secretary*

# BOARD OF DIRECTORS

Mr Louis A. Farrugia - *Chairman*
Mr Marcantonio Stagno d'Alcontres - *Vice Chairman*
Mr Roderick Chalmers
Mr Michael Farrugia
Dr Max Ganado
Ms Marina Hogg
Marquis Marcus John Scicluna Marshall
*up to 9 November 2023*
Baroness Justine Pergola
*up to 9 November 2023*
Mr Matthew Marshall
*from 9 November 2023*
Mr Neil Psaila
*from 9 November 2023*
Ms Nadine Magro - *Company Secretary*

# BOARD COMMITTEES

## RELATED PARTY TRANSACTIONS COMMITTEE

Dr Max Ganado - *Chairman*
Ms Marina Hogg
Baroness Justine Pergola
*up to 9 November 2023*
Mr Neil Psaila
*from 9 November 2023*
Mr Marcantonio Stagno d'Alcontres

## AUDIT AND RISK COMMITTEE

Mr Roderick Chalmers - *Chairman*
Ms Marina Hogg
Marquis M. Scicluna Marshall
*up to 9 November 2023*
Mr Neil Psaila
*from 9 November 2023*

## REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

*as from 30 August 2023 incorporating the Remuneration Committee and the Corporate Governance Committee*

Mr Marcantonio Stagno d'Alcontres - *Chairman*
Mr Roderick Chalmers
Marquis M. Scicluna Marshall
*up to 9 November 2023*
Mr Matthew Marshall
*from 9 November 2023*
Mr Louis A Farrugia

## ESG COMMITTEE

Mr Michael Farrugia - *Chairman*
Mr Chris Borg Cardona
Mr Eugenio Caruana
Mr Philip Farrugia
Dr Max Ganado
Ms Nadine Magro
Mr Tonio Mifsud Bonnici
Ms Maria Portelli
Mr Etienne Spiteri
Ms Anne Marie Tabone
Ms Rachel Zammit Soler

# 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
Mr Mario Spiteri - *Secretary*

# SENIOR MANAGEMENT

*From left: Mr Tonio Mifsud Bonnici, Mr Pierre Stafrace, Mr Michael Farrugia, Mr Gordon Naudi, Ms Anne Marie Tabone, Mr Sean Portelli, Mr Eugenio Caruana, Ms Susan Weenink Camillieri, Mr Norman Aquilina, Mr Philip Farrugia, Mr Chris Borg Cardona, Mr John Bonello Ghio*

Mr Norman Aquilina
*– Group Chief Executive*

Mr John Bonello Ghio
*– Head of The Brewhouse*

Mr Chris Borg Cardona
*– Head of Logistics & EcoPure Limited*

Mr Eugenio Caruana
*– Chief Operating Officer*

Mr Michael Farrugia
*– Deputy Chief Executive (Beverage Business)*

Mr Philip Farrugia
*– Head of IT and Business Services*

Mr Pierre Stafrace
*– General Manager FBIC*

Ms Anne Marie Tabone
*– Group Chief Financial Officer*

Ms Susan Weenink Camilleri
*– Head of Sales & Marketing*

Mr Sean Portelli
*– General Manager Quintano Food Limited*

Mr Gordon Naudi
*– General Manager Food Chain Limited*

Mr Tonio Mifsud Bonnici
*– Head of HR since 19 February 2024*

# AWARDS

## MALTA STOCK EXCHANGE ANNUAL AWARDS

Simonds Farsons Cisk plc (SFC) was presented with the 'Company of the Year' award by the Malta Stock Exchange (MSE) in its annual awards ceremony. MSE Chairman Mr Joseph Portelli highlighted the extraordinary financial results attained by SFC before presenting the award to Farsons Group Chief Executive Mr Norman Aquilina. Mr. Aquilina thanked the MSE for the recognition, along with the Farsons management team for being protagonists in the attainment of the results. Having our results acknowledged makes us proud of our achievements in this highly challenging year. Our financial results are the reflection of broader considerations which include our quality standards and values we uphold and practice. In response to ongoing market pressures, Farsons remained strategically focused on its competitiveness, not only in terms of costs, but also capabilities. We will keep our eyes set on the horizon, making sure we stay ahead of the curve and well placed to continue to move onwards and upwards.


*Farsons CEO Mr Norman Aquilina (left) accepting the MSE 'Company of the Year' Award from MSE Chairman Mr Joseph Portelli*

# CIVIC TRUST AWARDS

The Brewhouse and Trident Park project, designed by world renowned Ritchie*Architects, won a 'Highly Commended' award at the 2024 Civic Trust Awards. The Brewhouse and Trident Park project was acknowledged for having made a significant contribution to the quality and appearance of the built environment. 'Highly Commended' schemes demonstrate a good standard of architecture or design, whilst being sustainable, accessible and provide a positive civic contribution. We are proud to have been amongst the winning 69 projects that were recognised from over 320 entries this year. Other winners in the same category include the Battersea Power Station in London and Narbo Via, Narbonne, France by Foster + Partners.

*Left to right - Jonathan Shaw from Ritchie*Architects with Farsons Deputy CEO Michael Farrugia at The Concorde Conference Centre in Manchester, UK, where the award ceremony was held on 22nd March, 2024*

*Photo, from left, Mr John Bonello Ghio – Head of The Brewhouse and Corporate Projects, Mr Charles Xuereb - Trident Estates Chief Executive Officer, Ms Simone Mizzi from Din L-Art Ħelwa, Mr Michael Farrugia - Director of Simonds Farsons Cisk plc and Trident Estates plc, and Deputy CEO of the Farsons beverage business, Mr Brendon Muscat, Partner and Architect at TBA Periti, and Mr Martin Spiteri – Curator and Collections Manager at Simonds Farsons Cisk plc.*

## DIN L-ART ĦELWA XVII ARCHITECTURAL HERITAGE AWARDS COMPETITION

The Brewhouse and Trident Park project was awarded the overall 'Judge Maurice Caruana Curran Award', as well as the Prix d'Honneur for the 'Regeneration of an Area' category. The coveted 'Judge Maurice Caruana Curran Award' is awarded to the best winner overall in all categories and is given to projects displaying an outstanding standard of work in a Maltese context. The award was presented by Ms Simone Mizzi, daughter of the late Founder and President of Din l-Art Helwa, Judge Maurice Caruana Curran, after whom the award is named. On this prestigious win, Mr Michael Farrugia stated, "To us at Farsons, the brewery site has always been much more than just a building, it is a symbol of our deep passion for brewing and brands, of our rich history and industrial heritage, our committed workforce and the community we proudly continue to serve."

# GROUP CHIEF EXECUTIVE'S REVIEW

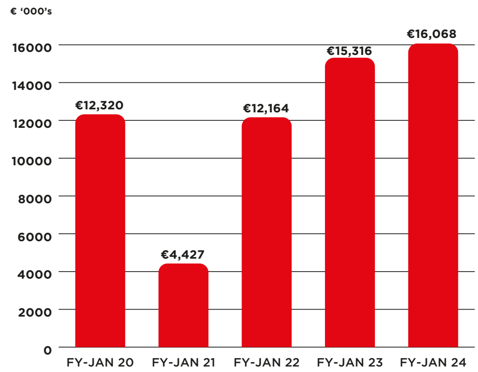
## SIGNIFICANT GROWTH DESPITE COMPETITIVE PRESSURES & CHALLENGING ENVIRONMENT

Despite the growing concerns on climate change along with the macroeconomic and geopolitical volatility, this year saw no major hinderances to global trade. On the local front, the year was predominantly marked by growing competitive pressures, changing market landscape and a generally challenging environment. Against this backdrop, I do believe we made significant progress in sharpening our strategic position and in strengthening our winning culture, delivering positive results.

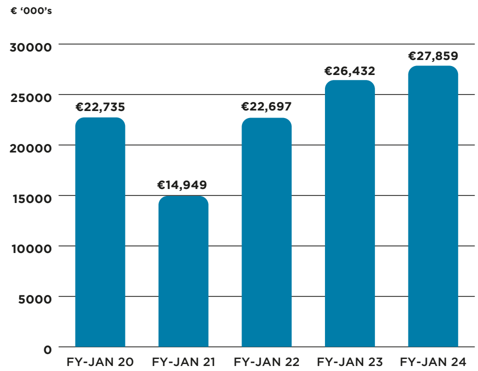
This was made possible as we continued investing in our brands and capabilities with the aim of holding on to our competitiveness. We maintained our focus on driving value-added creation by improving productivity, optimising sourcing, unlocking supply chain efficiencies, and keeping a grip on cost discipline, thereby supporting our efforts to mitigate ongoing inflationary pressures. We leveraged value management to achieve the right pricing structures without overlooking the sensitivities of an ongoing cost-of-living squeeze.

Even if this approach resulted in a minimal gross margin compression, it strategically helped us to hold on to our competitive positioning which in return translated into a significant growth in our Group turnover, reaching an all-time high of €132.9 million. This progressive improvement of our volume-mix led by a strong commercial drive, is indeed encouraging.

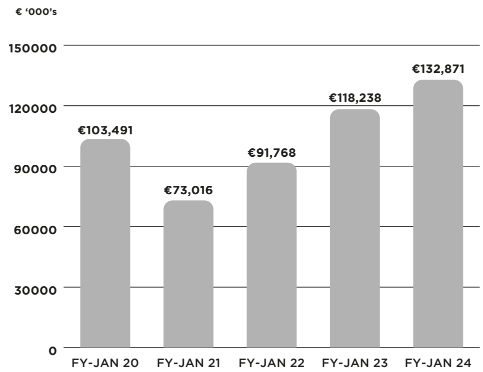
GROUP PROFITABILITY BEFORE TAX




GROUP EBITDA




GROUP TURNOVER




While this is somewhat reflective of pressing market realities, we are strategically and tactically responding through a better balance between top-line growth and bottom-line value creation.

We achieved a notable 12.4% increase in turnover compared to last year and a 4.9% growth in pre-tax profit. Although the net profit margin decreased to 12.1% from 13.0%, the pre-tax profit for the year reached €16.1 million, demonstrating a solid growth over the previous year. This reflects our continued success in increasing overall revenue.

The Beverage segment, despite facing significant cut-throat competition, achieved a 9% growth in turnover. However, the segment's result saw a 3.3% decline. This decline is attributed to ongoing pricing pressures in the local market, which forced the Group to accept reduced margins due to rising costs not passed on to consumers.

## KEY GROUP PERFORMANCE HIGHLIGHTS

### ACTUAL VS LAST YEAR VS FIVE YEAR COMPARATIVES

| | FY Jan 2024 €'000 | Movement vs FY Jan 2023 | Movement vs FY Jan 2020 |
|---|---|---|---|
| Turnover | €132,871 | 12% | 28% |
| Operating Profit | €17,372 | 4% | 27% |
| Pre-tax Profit | €16,068 | 5% | 30% |
| Post-tax Profit | €15,273 | -1% | 29% |
| EBITDA | €27,859 | 5% | 23% |
| Earnings per Ordinary share | €0.424 | -1% | 29% |
| Return on Average Capital Employed | 11.0% | 0.4 pp | 1.6 pp |
| Gearing | 11.7% | 2.7 pp | 14.2 pp |

"I do believe we made significant progress in sharpening our strategic position and in strengthening our winning culture, delivering positive results"

Additionally, this segment includes the new operations of The Brewhouse, reflecting the Group's investment in this startup venture in its inaugural year.

The Group's Food segment experienced an impressive 23% growth in turnover, primarily due to the strategic refocusing of franchised eateries operated by the Group and modest growth in the importation and wholesale of food products. This increase in turnover, coupled with a strategic emphasis on opening and maintaining franchised food outlets in optimal locations and enhanced cost management practices, resulted in a substantial improvement in this segment's performance.

Over the past 18 months, the Group has revised its remuneration structures and employed additional personnel to enhance productivity and customer service. The cost associated with our human resource capital increased by €3.3 million compared to the previous year and is reflected across all cost elements in the Income Statement. Additionally, the inauguration of The Brewhouse introduced additional depreciation costs associated with the Group's investment. These expenses, coupled with widespread cost increases due to global inflation, were the primary factors preventing profit margins from maintaining previous years' levels.

"With the intention of improving productivity, multiskilling, and overall efficiency levels, also intended to further embrace a continuous improvement mindset, we maintained a high level of investment in training"

EQUALITY CERTIFIED

HR QUALITY MARK

FOUNDATION FOR HUMAN RESOURCES DEVELOPMENT

*Throughout 2023 SFC retained its 'HR Quality Mark' along with formal recognition of the commitment to providing equal access opportunities to employees*

## OUR PEOPLE

In 2023, Farsons Group remained steadfast in its drive to enhance its employee value proposition (EVP), recognising it as a cornerstone of organisational success. Through initiatives such as amplified social media exposure, education outreach, internal promotions, and social gatherings, we endeavoured to cultivate a workplace culture characterised by transparency, recognition, and community. We remain committed to further elevating our EVP, ensuring that Farsons continues to be a workplace of choice where talent thrives, and aspirations are realised.

## DRIVING OPERATIONAL EFFICIENCY

During the year 2023 various initiatives had been implemented to ascertain continuous improvement in the quality/food safety section based on product quality; good manufacturing practices (GMPs) & food safety; quality management systems. Over the past 12 months the adoption of these practices has resulted in marked improvement.

With the intention of improving productivity, multiskilling, and overall efficiency levels, also intended to further embrace a continuous improvement mindset, we maintained a high level of investment in training.

bsi ISO 9001 Quality Management Systems CERTIFIED

BRCGS Food Safety CERTIFICATED

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

## DELIVERING AND MEASURING UP OUR LOGISTICS

In the year under review, persisting supply chain issues necessitated higher inventory levels to avoid stockouts, which in turn strained our storage capacity. However, we managed to meet the extra storage needs without any disruptions by reorganising the warehouses and investing in an improved racking layout. In the current year, measures are being implemented to improve supply scheduling and optimise warehouse space utilisation in order to improve operational efficiency and contain costs.

The distribution section saw a big rise in delivery orders due to the unusually hot summer and the growing influx of tourists. More stable truck drivers' manning levels compared to the previous year led to the increased demand being well met, improving our performance and service quality. The shortage of truck drivers remains a concern not only in Malta but also globally and will get worse due to an ageing truck driver population as fewer young drivers are willing to take up the profession. To mitigate this shortage, measures are being taken to attract new truck drivers by means of internship programs and attractive packages.

## LEVERAGING MORE TECHNOLOGY

The IT function continues to play a pivotal role in enabling and enhancing various facets of our operations while driving digital transformation and fostering efficiency across the organisation, both in terms of the various information systems in operation and the critical IT technical infrastructure.

The IT function continued to closely collaborate with various internal stakeholders across the organisation to fully understand their needs and challenges, and to ensure that the IT solutions, including the core Enterprise Resource Planning (ERP) system amongst others, are able to address immediate concerns and also lay the groundwork for future scalability and sustainability.

Further IT initiatives were focused on streamlining work processes and enhancing digital interfaces where applicable, including the Warehouse Management System (WMS), and phasing in of the Transport Management System (TMS) which forms part of a wider programme of further digitalisation within the Logistics function.

"The IT function continues to play a pivotal role in enabling and enhancing various facets of our operations"

We also continued working on the final phase of execution of the renewed Customer Relationship Management (CRM) system, in collaboration with Salesforce, for enhanced data management and improved sales processes, amongst others, and also in preparation for the implementation of smart e-commerce solutions.

Safeguarding our digital assets is paramount and the IT function continues to implement robust security measures and protocols to fortify our systems and protect sensitive data and information. Furthermore, we remain on track with our core wider network and infrastructure upgrade and business continuity programme, while providing critical IT and technical support to the other Group subsidiaries.

## THE LOCAL BEVERAGE MARKET

For the fourth year in a row, in fact since the outbreak of COVID-19, the retail segment continued to deliver opportunities for volume growth for our beverages, along with modest levels of growth in values. Conversely, consumption in the Horeca segment, i.e. in our bars and pubs, hotels and restaurants, has steadily returned to pre-pandemic levels.




There are several factors which are contributing to this ongoing shift in consumption patterns. The pressure on consumer spending power and the significant increase in the cost of eating and drinking out are now rendering unaffordable that which previously was a popular occurrence amongst the local population. On the other hand, the increase in foreign residents, now estimated at over 25% of Malta's population, resulted in a surge in retail sales.

Farsons' portfolio of brands and different package types is well placed to compete effectively in this scenario, and we have benefited from the increase in demand in home consumption. This shift has also accelerated and accentuated the level of competition between the main players in the retail market, resulting in increasing demands for better prices and better margins from suppliers, tailor-made consumer offers and promotions, more frequent deliveries at very specific times, all of which are putting a significant squeeze on our profit margins.

"Farsons' portfolio of brands and different package types is well placed to compete effectively in this scenario, and we have benefited from the increase in demand in home consumption"

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

## BEERS

Notwithstanding the ongoing market pressures and shifts in consumer demands and preferences, on balance we are pleased to report a positive performance across our beer portfolio, with most brands and packages posting increases on the previous year.

Early in the year under review, **Cisk Lager**, our flagship brand which is now approaching 95 years since its launch in 1929, was given a strikingly bold and iconic new brand identity. The Farsons team worked alongside the award-winning, UK-based design agency bluemarlin on the new brand identity which pays homage to Cisk's rich history as the Maltese national beer since 1929, featuring enhanced brand assets and a new faceted pattern inspired by the Maltese Cross. This striking new design has already been recognised internationally, with bluemarlin being awarded Silver for brand design at the World Brand Design Society Awards 2024. These awards are known for recognising projects of significance, celebrating design excellence, and highlighting the best creative endeavours worldwide.


Comprising an impressive line-up of beer and package variants, the **Cisk** portfolio can cater for every consumption occasion and consumer preference. The mother brand, Cisk Lager, continues to deliver strong volumes, albeit now closely rivalled by the ever-popular low-carbohydrate variant, **Cisk Excel**, in most sectors of the market, particularly amongst the younger cohorts of beer consumers. The launch of alcohol free **Cisk 0.0** in the summer of 2020 has been instrumental in growing the low/no alcohol segment and this Cisk brand variant has quickly assumed leadership in both the on-trade and off-trade markets.

**Cisk Chill** flavoured beers, **Cisk Pilsner, Cisk Export** and **Cisk Strong** complete the Cisk portfolio line-up, with all of these registering a positive performance during the year under review. It is also extremely gratifying to report that Cisk Lager and Cisk Excel were both recipients of a bronze and silver medal respectively at the 2023 edition of the Brussels Beer Challenge, whilst Cisk Strong won silver at the highly recognised and competitive 2023 International Beer Challenge (IBC). Recipients of IBC medals are highly regarded as beers of superb quality and such accolades go a long way towards continuing to demonstrate the superior quality of our beers both locally and internationally.


MALTA'S
LAGER




The national communication campaign for Cisk throughout 2023 proudly showcased the new bold and striking branding. Playing on the headline **'Stay Fresh'**, the campaign, which was implemented across all the brand's touchpoints, highlighted both the freshness of the new branding and emphasised the consistent and ongoing freshness and quality of our beers.


A separate national campaign for **Cisk 0.0 alcohol-free lager** was launched during what is now popularly referred to as Dry January. The **Free to ChO-Ose** campaign threw a spotlight on the increasing number of beer consumers who are freely opting for alcohol free beers as a matter of choice, depending on their lifestyles and drinking occasions.

The **Farsons Classic Brews range,** featuring **Blue Label** – originally launched in 1928 - and the more recent additions **Double Red** and **Green Hop IPA**, continue to deliver positive results, not only amongst the local beer consumers but also beyond our shores. These brands are receiving growing international recognition as the Blue Label was awarded the Gold Medal at the 2023 edition of the Brussels Beer Challenge whilst Double Red was recognised with a Bronze award. Blue Label Amber Ale was also awarded Bronze at the 2023 edition of the prestigious International Beer Challenge.

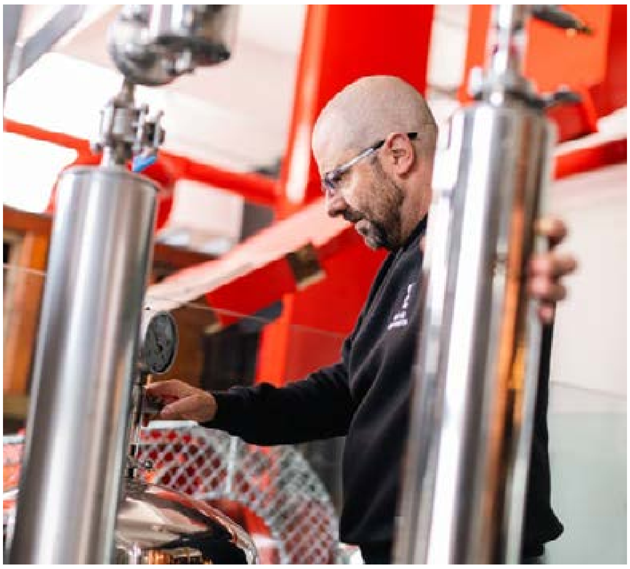
As Malta's population continues to undergo significant growth and change through immigration, the international beer brands in our portfolio, **Carlsberg -** brewed and packaged by Farsons since 1978, **Budweiser** – official beer sponsor of the English Premier league, and **Skol,** all registered growth during the year.


FARSONS

## CRAFT BEER

Entering the craft beer market has long been a strategic goal and materialised last year following the commissioning of our microbrewery, aptly named the **Red Mill Brewing Co.**, which is housed within Chapels Gastrobrewpub at The Brewhouse.

It was therefore with immense pride and satisfaction that earlier this year we launched the first two craft beers brewed by the Red Mill Brewing Co. and carrying the Red Mill brand name. The first two brews, a Golden Ale and India Pale Ale, are now available on draught in a number of carefully selected bars and pubs. This launch marks the beginning of a more extensive project which aims to see the Red Mill Brewing Co. becoming an active player in the fast evolving and dynamic craft beer market.



"Entering the craft beer market has long been a strategic goal and materialised last year following the commissioning of our microbrewery"


RED MILL
BREWING CO.

## SOFT DRINKS

The shift to 'home consumption' is also very evident in the soft drinks market, with the focus on health and wellbeing, nutrition, sustainability, plastic waste and climate change continuing to shape consumption patterns and influence consumer choices. Simultaneously, as attention remains focused on ongoing inflation within the food and beverage industry to the extent that government-driven measures are being implemented at national level, it becomes even more important that pricing strategies are well thought through as consumers seek out value for money in their purchases. Our soft drinks' promotions and activations are designed to ensure that they deliver value and affordability across the various brands and packages, and we continue to win instore through consistent focus and attention, with the ultimate target being profitable sales growth and an improving market share.


Following the celebration of **Kinnie's** 70th anniversary in 2022, the year under review continued to provide us with a number of opportunities for our flagship soft drink brand. Kinnie was once again a major partner of the global entertainment phenomenon X Factor. Whilst this partnership allowed us to once again reaffirm our support for local talent in a very tangible manner, the brand enjoyed high visibility across all touchpoints, ranging from product placement, tailor-made TV advertising, interaction with fans and participants during the sold-out Live Shows.

Always attentive to consumer trends and preferences, whilst also acknowledging that the market trends and consumer attitudes towards 'Diet' variants in any soft drink portfolio have evolved and developed, in 2022 Farsons commissioned a qualitative research study to delve further into this matter.

The comprehensive study also addressed the search for a more appropriate name for the current Diet Kinnie variant, which was originally conceived in 1984 in line with the trends and preferences prevalent at the time. The findings of this R&D study resulted in the launch of **Kinnie Zero** earlier this year. Kinnie Zero addresses the modern shifts in the perceptions of diet/'better for you' soft drinks. This repositioning of the popular sugar-free variant in Kinnie's portfolio is considered to be much more universal, cool and mainstream. Available in all package formats, Kinnie Zero targets a broad spectrum of consumers, not only those who seek to control their sugar intake, but also the more easy-going millennials and Gen-Z drinkers, and promises to deliver the full taste experience without the sugar content.


Now in its third summer since its launch in 2021, **Kinnie Spritz**, a refreshingly light 4% alcoholic aperitivo, continued to delight consumers with its high refreshment appeal and thirst-quenching characteristics. Seasonal in nature, this highly innovative product showcases Kinnie's inherent mixability and versatility in a convenient and attractive 'Ready to Drink' format.

The **Pepsico** portfolio, comprising **Pepsi-Cola, 7-Up and Mirinda,** together with sugar-free variants **Pepsi Max and 7-Up Zero Sugar,** delivered an impressive performance during the year under review, and all brands continue to register significant gains across the market, capitalising on the surge in supermarket sales and backed by on-going investment in high visibility assets and value-added on-pack promotions, consistent marketing campaigns and promotional programmes. In addition, 7up and 7up Zero Sugar were launched with a striking new brand imagery just before the peak summer weeks, further boosting this much-loved brand's standout in what is fast becoming an extremely cluttered market.


CLASSIC
Avour &
Herbs
1952
MEDITERRANEAN CLASSIC
Since 1952
Kinnie
BITTERSWEET REFRESHMENT

*Farsons Beer Festival 2023*

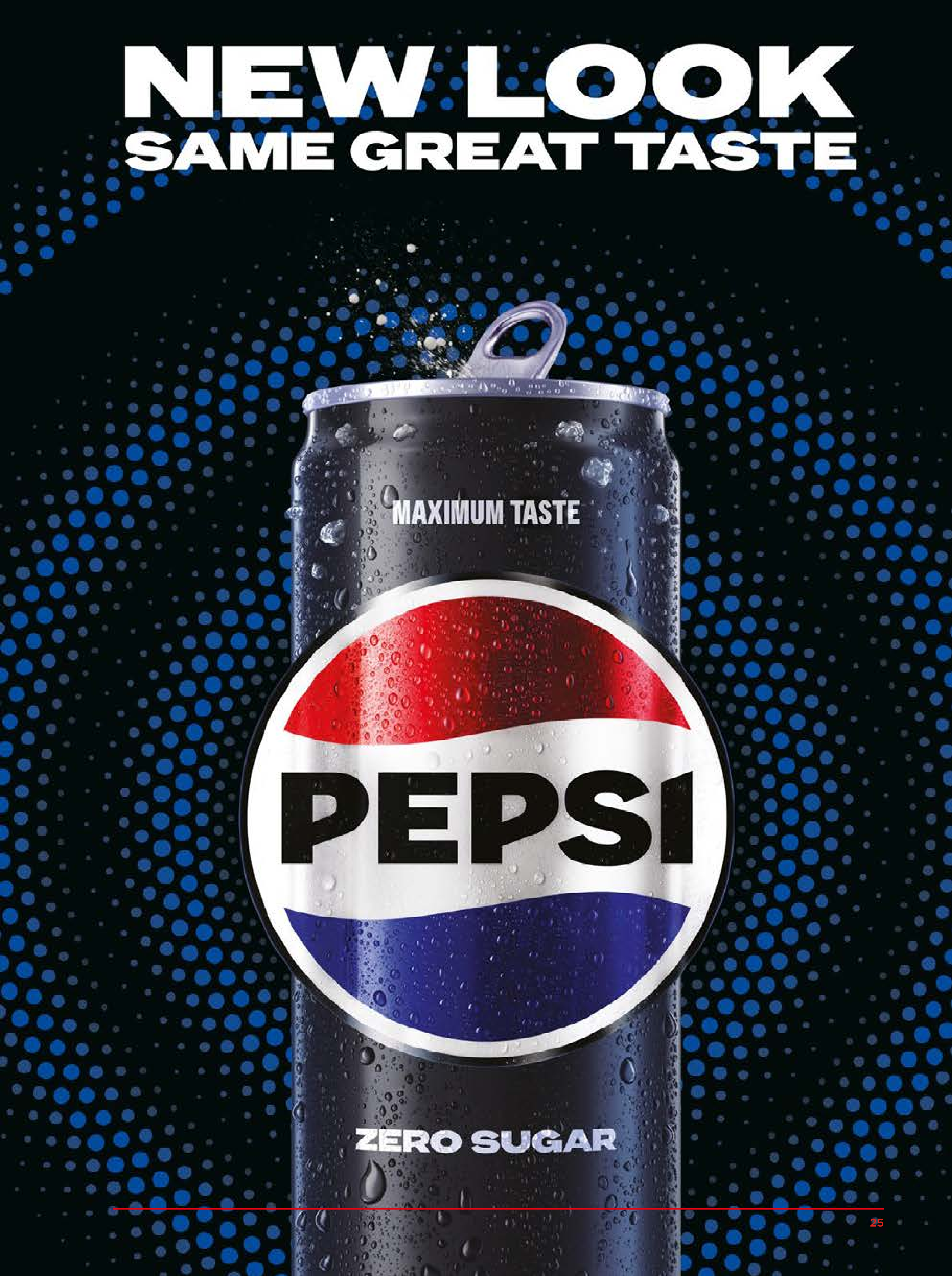

Another edition of the **Pepsi Taste Challenge** ran throughout the summer months, and we are extremely proud to report that, once again, a significant majority of over 62% of the 6000+ participants chose Pepsi or Pepsi Max as their preferred cola, based on a blind taste test.

In May 2024, and 14 years since the last logo reveal, Farsons joined the rest of the world in the international unleashing of a new era for Pepsi with the introduction of a new logo and visual identity across all markets. As a brand that's on the world stage and enjoyed by millions of people world-wide every day, it's important that the brand stays fresh, continues to drive culture forward and never settles for the status quo. Underpinned by the tagline Thirsty for More, the revamped spirit and identity of Pepsi keeps thirsty for the best tasting cola, for new entertainment experiences, for a better planet, for stronger partnerships and for accelerated growth across the portfolio.

As consumer preferences continue to develop and shift, it is with satisfaction that we can report that all key brands in our non-alcoholic portfolio posted a very strong set of results during the year under review, with positive increases also registered for **Lipton Ice Tea**, **Gatorade** and **Britvic** mixers.

## WATER

The increase in the local population and the surge in retail sales are particularly evidenced in the significant increase in the demand for bottled water. Here, once again, our own brands **San Michel Table Water** and **Elan Sparkling Water**, continued to post impressive results across all market channels. Notwithstanding the tight pressure on prices and margins in this segment, we continued to invest in these brands, thus ensuring that not only do we remain competitive, but that consumers continue to recognise the high quality of our products and services, confirming our brands as brands and products of their choice, despite the fierce competition from both local and numerous imported brands.


NEW LOOK
SAME GREAT TASTE
MAXIMUM TASTE
PEPSI
ZERO SUGAR


*From left to right: Roger and Tony from APF, our Kinnie franchisee in Australia with Melissa and Oscar of 'The Original Pastizzi Co.' in Melbourne*

## INTERNATIONALISATION

Export sales for the year showed positive signs with consolidation in key markets within and outside Europe for both beer and soft drinks. Encouraging growth in sales was registered within mature markets such as the UK, Italy and Australia, as well as in relatively new and emerging markets in West Africa, India and the Middle East. These results are reflective of the company's export market diversification strategy, with global sales now evenly split between European and Non-European markets.

Main European markets, Italy and the UK rebounded well. Italy remains our primary market for draught beer whilst the United Kingdom experienced growth on both the soft drinks and beers. Other European markets bore the strain of the financial and inflationary pressures that were prevalent throughout the year of 2023, and some of our smaller markets suffered some shrinkage in brand presence and dipped volumes.

Exports to the Middle East remained buoyant and export potential has been boosted by the entry into new markets in the region and the development of new products and packaging formats intended specifically for these markets.

During the year, the export prospects of non-alcoholic beverages including non-alcoholic beer were further


*Cisk 0.0% being promoted in Northern India*


*Promoting Kinnie and Cisk 0.0% at Gulfood Exhibition in Dubai.*

explored particularly in the Middle East and Asia, while Cisk 0.0's presence on the Indian market continued to bear fruit.

The Australian market also showed healthy signs of growth in 2023 in terms of both soft drinks and beer. The production of Kinnie under license in Australia continued to yield results and there are now plans underway to extend distribution beyond the brand's established presence in the states of New South Wales and Victoria.

Sales to Duty-Free clients registered strong growth in 2023, building further on the progressive buildup of the last few years during which our position to consolidate more of our brands in more channels of sale has been the focus of our strategy.

The Company's overseas presence was also bolstered by its participation in the Gulfood Exhibition in the UAE in February 2023 and ANUGA in Cologne, Germany in October 2023, both of which yielded tangible results in terms of new business and new market opportunities.


*Expanding the presence of Cisk in the Middle East.*

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

## FARSONS BEVERAGE IMPORTS COMPANY LIMITED

This has been another successful year for FBIC, despite concerns on the market about the high rate of inflation generated by post-pandemic issues and the Ukrainian war.

The production and shipping difficulties which we experienced in 2022 were significantly reduced this year and we suffered much less out-of-stock situations. However, ongoing high energy rates on production and continued glass bottle shortages had a considerable impact on the costs of goods, which inevitably led to increased selling prices on the market. Nevertheless, many consumers were still keen to go out and enjoy themselves during summer, with most outlets being very busy with good consumption of our beverage brands. Other clients kept up with the growing trend of home entertainment, even learning how to prepare their own cocktails.

In order to promote our portfolio, we worked with our brand partners to run special trade and consumer offers to generate sales of particular products during specific periods. We strengthened our focus on the on-trade sector, which has now fully recovered, and registered high activity all over the island. We also continued working on the off-trade sector, running promotions and activations during the whole year, whilst maintaining our strategy of widening our sales and distribution to retail shops.

This year, several high profile events were held in Malta. FBIC was actively involved as a brand sponsor in a number of these activities, including the immensely popular concert by the iconic star Robbie Williams and the strongly attended 2023 edition of Europride, which was held in Malta for the first time.







"We have taken the necessary action to set the company on the path for long-term development"


During autumn, inflation seemed to have had some effect on consumer purchasing behaviour, with some restaurants publicly expressing concern that the average consumer spend was going down, while their costs of running an outlet were increasing. However, Christmas was again a positive period for consumption.

Throughout the year, in order to continue building the brands in our portfolio and directing more consumers to our products, we also invested in strong marketing campaigns. Apart from advertising on digital and social media relating to the global brand imagery, we also ran campaigns on traditional communication channels, including billboards and bus shelters.

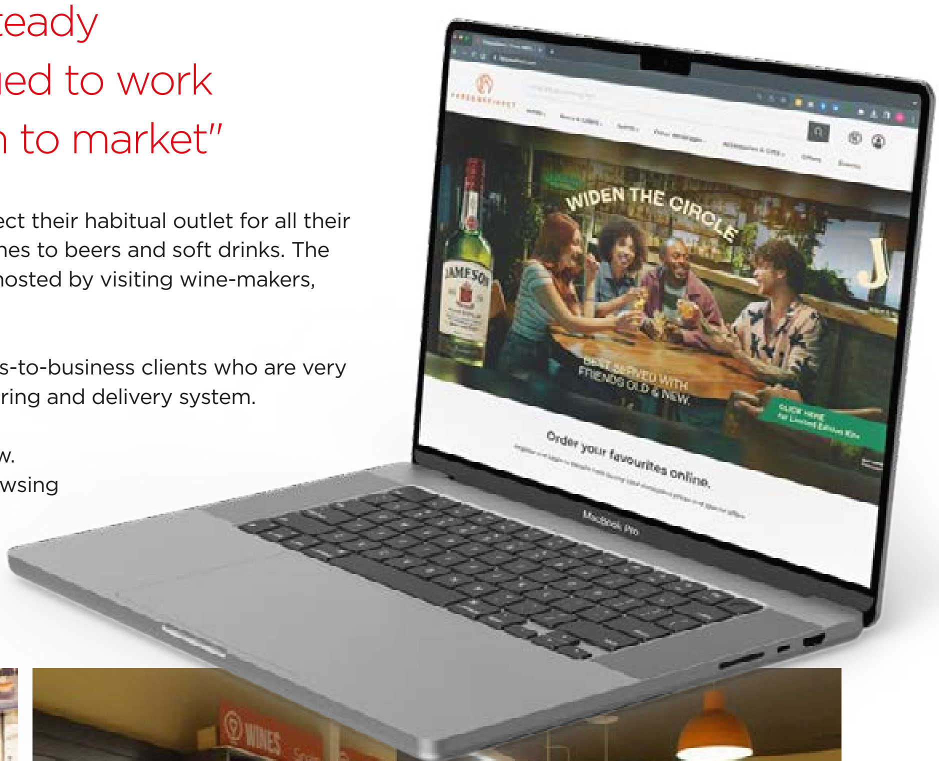
In 2023, apart from looking at the market, we have reviewed our internal structure, strengthening our team. We have taken the necessary action to set the company on the path for long-term development.

Although this year was again quite a challenging one, our coordinated sales and marketing efforts, and the dedication of the whole team, have contributed to a successful financial year for FBIC.

FARSONSDIRECT

## FARSONSDIRECT

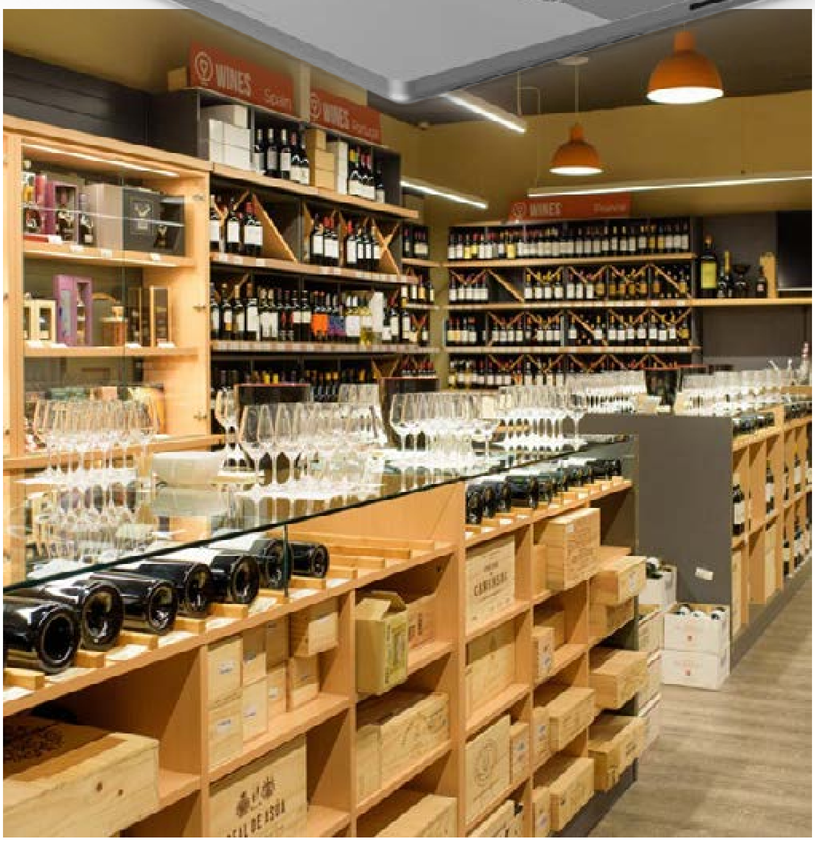
"Farsonsdirect made steady progress as we continued to work on improving our reach to market"




Many private clients have made Farsonsdirect their habitual outlet for all their beverage requirements, from spirits and wines to beers and soft drinks. The special tasting events we organised, often hosted by visiting wine-makers, were all regularly sold-out.

We have also been attracting more business-to-business clients who are very satisfied with our flexible and efficient ordering and delivery system.

Our e-commerce website continued to grow. Many clients have got used to regularly browsing our site and place orders online, and our investment in marketing on digital and social media pages has certainly contributed to the increased use of our site.



## THE BREWHOUSE COMPANY LIMITED

We were delighted to see the completion of all rehabilitation works of the landmark of Farsons 1950s brewhouse and the reopening of the brewery to the public.

We originally opened our doors to the public in July 2022 with the opening of a casual dining café called Kettles Café Bistro Bar. This is located on the lower ground floor level with direct access to the amphitheatre at the entrance and just beneath the brewing kettles, giving the Kettles name to the venue. As of October 2023, Kettles was leased out to an operator.

Shortly after we also opened THE CISK TAP, located on the top floor of the building with a 360-degree panoramic views of the island, ranging all the way from Mdina to Valletta. THE CISK TAP is an experiential and classic inspired bar which pays homage to the brewery's flagship beer, Cisk Lager.

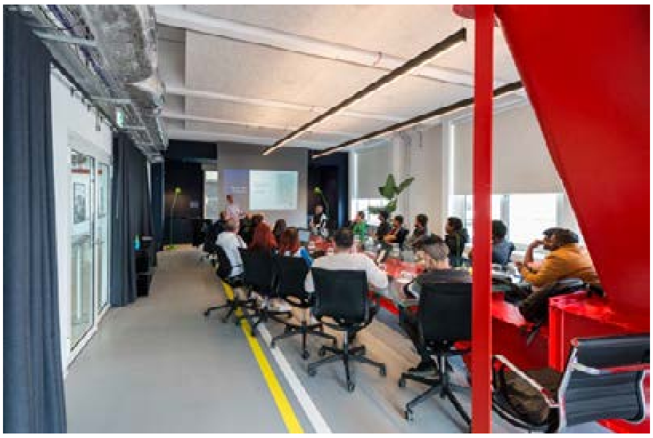
March saw the opening of the third and probably most significant F&B outlet - The Chapels Gastrobrewpub. This was a significant milestone marking Farsons' entry into the craft beer segment, following our investment in a state-of-the-art microbrewery which is housed within The Chapels Gastrobrewpub. The venue, which is also leased out on an operation agreement, gets its name from its two 'chapel' like spaces which were used to cool down the freshly produced beer. Today, these have been converted into modern dining rooms. The Chapels Gastrobrewpub offers a vast area of indoor and outdoor dining spaces which encompasses an 800 sqm beer garden on the terrace which could be adapted for various other activities and events.

"We were delighted to see the completion of all rehabilitation works of the landmark Farsons 1950s brewhouse and the reopening of the brewery to the public"


March 2023 also marked the opening of The Farsons Brewery Experience, which is definitely a key attraction within The Brewhouse. Featuring an impressive range of restored industrial items and artefacts, audio-visual displays, sculptural exhibits and memorabilia, visitors are provided with an architectural, immersive and educational experience that notably includes a visit to the fully restored Brewhall.

Any visit to The Farsons Brewery Experience would not be complete without a visit to The Farsons Brandstore, a fully-fledged retail store offering an extensive range of premium quality branded merchandise.

Finally, The Brewhouse provides two unique event spaces built around in-situ industrial machinery, unlike anything else in Malta. In the Redler Room on Level 2, a large grain conveyor was repurposed to become a full-fledged meeting glass table and boardroom, a true global rarity, and an inspiring meeting place. On Level 4, one finds the beautifully restored weighing machine, a stand-out feature in a large multi-purpose space called The Grist that has been embraced by corporate and arts communities alike for its ease of adaptability to any event.



FARSONS GROUP
EcoPure
BEVERAGE SERVICES

## ECOPURE

Despite growing challenges over recent years, Ecopure has seen a significant growth, registering increased turnover as well as profitability.

The improved performance resulted from the clients shifting towards our reusable bottles mainly due to our marketing campaigns and the introduction of the compulsory Beverage Container Return Scheme (BCRS), which has provided us with an increased client base, with the majority of clients pertaining to the home delivery segment, but also a higher uptake by clients in the supermarket segment.

The increased client base overstretched some delivery routes and, combined with the shortage and high turnover rate of truck drivers, resulted in an adverse effect on the delivery service quality in some areas and cost. To address the shortage of drivers, we employed greater utilisation of technology and took measures to attract new truck drivers by means of internship programs and offering attractive packages.

"Over recent years, Ecopure has seen a significant growth, registering increased turnover as well as profitability"



Towards the end of the year in review, the Business Management Software was upgraded. This upgrade is providing us with a much more clear visibility of the service offered to our clients, facilitates the work of the delivery driver, and it will continue to be upgraded during the current year with ecommerce functionality to assist us to maintain a healthy client relationship and improve customer service.

Our focus remains on providing a reliable delivery service, developing appealing water offers, optimising delivery routes and reducing waste.

FARSONS GROUP
Quintano
FOOD IMPORTERS

## QUINTANO FOODS LIMITED

This year's results have been registered against the backdrop of a global cost-of-living crisis, a continuing war in the heart of Europe and Middle East, along with further climate instability across the world. Notwithstanding these factors Quintano Foods achieved a positive performance.

One cannot but highlight that the economic ripple effects resulting from the wars and climate change have contributed towards increased product and shipping costs, reduced stock availability, and delays in supply. These inflationary pressures impacted both industry and consumers alike. Faced with these scenarios, the company took the required measures to adjust its planning and stock replenishment processes whilst re-examining its cost structures and storage requirements in order to mitigate the impact on its pricing and performance.

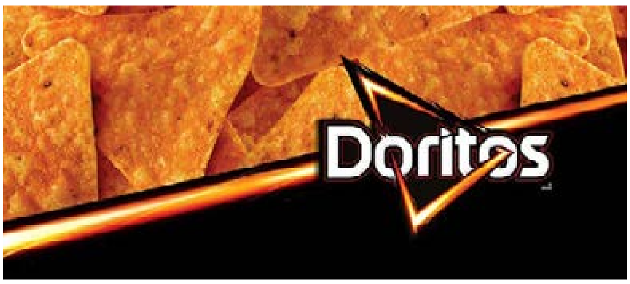
The retail sector is still dominated by the major supermarket chains. Notwithstanding, there is an increased number of smaller grocery stores that are joining forces as franchise outlets in conjunction with a persistent growth in on-line sales portals. There is also a greater number of outlets offering extended opening hours with the objective of increasing sales potential. Whilst increasing the importance of effective negotiations, these developments, in conjunction with strategic marketing activations, presented further growth opportunities in the retail sales sector. Whilst most brands performed well, the company achieved considerable growth on the brands Danone, Walkers, Lays, Quaker, Mevgal, and Solo Italia amongst others.

Another sector that contributed positively towards economic growth was tourism. Following the pandemic this sector persisted with an upward trend in arrivals. Latest figures indicate just under 3 million tourists visited Malta last year. The resulting consumer population increase and spend undoubtedly contributed towards boosting performance in the HORECA sector and sales to Food Chain. Increased efforts on sales of key international brands such as Kraft Heinz, Evian and Bayernland, together with a growing client base of restaurants, hotels, and on the go outlets, all contributed towards achieving strong growth.







*Artistic impressions of the proposed food distribution centre, covering a site area of 7,000 sq m, which will treble our current food warehousing capacity.*

Once again Quintano Foods achieved encouraging results in overall sales and profitability for the year. The continued positive performance and aggressive growth plans further justify the Group's investment in a state-of-the-art warehouse and logistics centre in Tal-Ħandaq. This facility is planned to live up to the latest environmental and sustainability standards. From an operational perspective, there is a significant investment in both technology and equipment that shall streamline the operations and processes whilst giving the company more than triple its current storage capabilities. Works on the project are progressing steadily as construction works started in April 2024 and completion is planned for December 2025.

Our group, even if most predominately a beverage business, has also led to the growth of a sizeable food business. While both the food and beverage categories are complementary as they both essentially service the same customer base and form part of the same Fast Moving Consumer Goods category (FMCG), they nonetheless remain two distinct businesses. Our food business, which incorporates both Quintano Foods and Food Chain, merits strategic focus to be able to grow it to its full potential. It is for this reason that the Board has decided to recommend a strategic review to weigh in on the options on how best to take this food business forward.

"Our food business, which incorporates both Quintano Foods and Food Chain, merits strategic focus to be able to grow it to its full potential"

FARSONS GROUP
Food Chain
RESTAURANTS

## FOOD CHAIN LIMITED

The past year was the first full year without COVID restrictions since 2019, which was somewhat challenging due to the sharp rise in the cost of sales and inflation, but it also opened doors of opportunity for all the Food Chain brands.

Notwithstanding the increase in imported goods, the employees kept pushing to make the most of each opportunity that came their way in driving sales, guest loyalty and customer satisfaction. All four brands saw a marked increase in footfall across each platform while ensuring business was run efficiently.

This year has seen all brands outperform last year's figures in double digits.

"All four brands saw a marked increase in footfall across each platform while ensuring business was run efficiently"

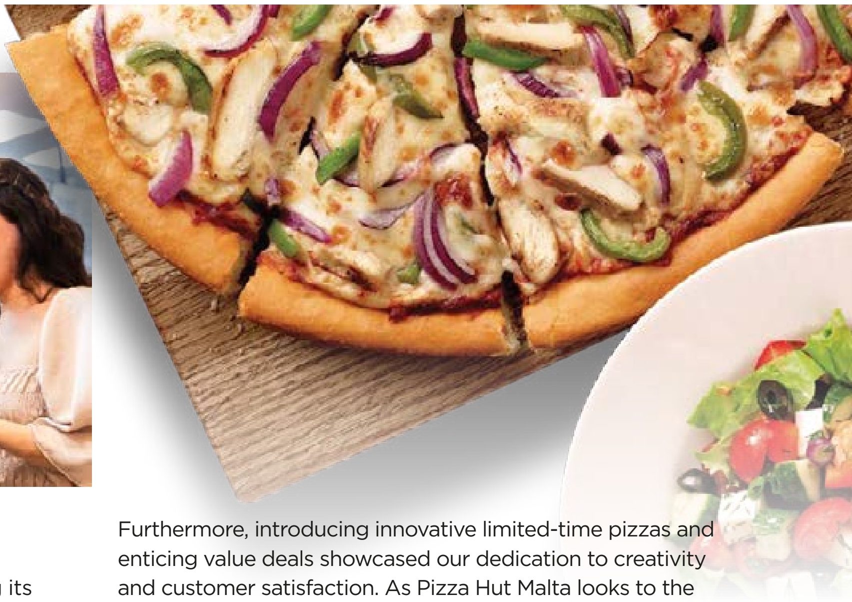

## BURGER KING

In 2023, Burger King continued its growth trajectory, boasting record-breaking sales and substantial growth throughout the year. The brand's strategic campaigns proved highly effective, contributing significantly to its flourishing performance.

Among its financial achievements, Burger King prioritised Food Safety, recognising its paramount importance in safeguarding the brand's reputation. This commitment to ensuring the highest food safety standards has undoubtedly resonated positively with consumers, further solidifying Burger King's position as a trusted fast-food choice.

In a pivotal move in October 2023, Burger King introduced the innovative concept of a Brand Coach, underscoring the brand's dedication to ongoing improvement and excellence. This initiative highlights Burger King's recognition of the critical role that comprehensive training plays in maintaining operational standards and enhancing customer experience.

By prioritising both financial success and fundamental values like food safety and employee development, Burger King has continued to strengthen its position as a leader in the fast-food industry, setting a benchmark for excellence and innovation.



## PIZZA HUT

In 2023, Pizza Hut marked a milestone by celebrating its 30th anniversary, engaging the community through a scratch-and-win campaign, and hosting a family-oriented event featuring morning animations and evening performances by local celebrity Aiden.

Demonstrating a commitment to diversity, the menu now includes a gluten-free base and vegan mozzarella, expanding our reach to a broader customer base.

Furthermore, introducing innovative limited-time pizzas and enticing value deals showcased our dedication to creativity and customer satisfaction. As Pizza Hut Malta looks to the future, these achievements reflect our continuous efforts to evolve and cater to the dynamic tastes of our loyal customers.

The closure of Pizza Hut Sliema, a landmark for many after 29 years, marked the end of an era. This strategic decision, while nostalgic, was deemed the best for business, as we continued to pursue significant operational changes paving the way for further growth and opportunities in Malta.


## KFC

In the past year, KFC saw significant sales growth due to strategic initiatives. Success is credited to new marketing, cross-promotions, a skilled workforce, and customer feedback attentiveness. This approach not only meets clients' expectations but also attracts new ones.

A highlight was the seamless implementation of digital HACCP controls and integrating the KFC Connect App for managers and crew, which was initiated in mid-December. This transformation enhanced efficiency, highlighting our unwavering commitment to food safety.

The strategic decision to relocate KFC Gzira was a resounding success. Looking ahead, our focus centres on enhancing KFC systems, introducing a Kitchen Management System, optimising resources, and opening a new, fully digital restaurant in Sant Julian's by this June.


## BOOST

2023 was our first full year of operation, marked by many challenges. The marketing activities focused on building brand awareness in Malta; moreover, the promotions and limited time offers kept rolling all year through. As a result, all three stores' sales increased significantly. We participated in several events, including Isle of MTV, Farsons Beer Festival, Freshers' Week and Euro Pride. We connected with several influencers and organisations to promote the brand on social media. The store teams worked hard to promise every customer who visited us the Boost experience. We want our customers to feel just that little bit better when they leave our stores.

Our targets for 2024 are to keep the level of service and excellent quality products, lure more customers to our stores, build new connections with other influencers and organisations, we opened a new store at The Shoreline Mall in March 2024 shortly after the closure of Gzira.


## FOCUSING ON LONG-TERM SUSTAINABLE GROWTH

The past few years have been extraordinary and challenging, temporarily calling for short-term focus. Going forward, we are now well set on further building on the positive momentum gained over the years, even if the trajectory is not short of challenges, particularly of a competitive nature. We will nonetheless continue to focus on consistent execution and delivery in line with our long-term value creation and sustainable growth ambitions.

While there is always much more to be done, we can all look back with a strong sense of collective achievement, and without ever under-estimating the ongoing competitive pressures or taking our results for granted, recognise that we have built a robust and resilient business model which has not only stood the test of time but also progressed well.

We remain well placed and have no problem in engaging with growing competitive pressures, indeed it is something we embrace as it keeps us under check in our efforts to stay ahead of the curve. However, there is a need for our authorities to weed out both sprouting and rooted operators that continue to thrive on their ability to operate off both the fiscal and regulatory radars. Good corporate citizenship is something we should all be promoting and not penalising due to inaction in ensuring a level playing field.

Here, I cannot conclude without expressing my gratitude towards all our workforce, our management, and of course our Board, who in varying ways continue to be protagonists in all that we do and achieve. Special recognition goes towards our Chairman, Louis A. Farrugia, who marks his fiftieth year within Farsons, certainly a milestone and unmatched achievement. He has been, and continues to be, a guiding light and his sense of vision and foresight are nothing short of being remarkable.

Our success is fundamentally driven by our people and therefore we are obliged to continue to raise the bar on talent and performance management and always seek to create an ever-stronger winning culture.

"We are a purpose and value-driven organisation where we do not only strive to do better but also do good"


We believe that the foundation for sustained success rests upon fostering a high organisational heartbeat and a strong corporate culture of respect, responsibility, and delivery, both in terms of purpose and profitability.

We remain committed towards making our Group a work-place with a strong sense of belonging and where everyone can be at their best. We are a purpose- and value-driven organisation where we do not only strive to do better but also do good, where we work as a team, endure as a team, and win as a team.

"Going forward, we are now well set on further building on the positive momentum gained over the years, even if the trajectory is not short of challenges, particularly of a competitive nature"

As we close off another year, my fourteenth as Group Chief Executive, it gives me much pride and satisfaction to see that we continue to demonstrate the strength and resilience that is needed for us to be able to look to the future with confidence.

Pursuing our endless journey towards excellence, we will continue to invest in our brands and capabilities, in driving a cost-out / value-in mindset, in promoting innovation and digitalisation, in ultimately strengthening our overall competitiveness. Likewise, we will continue to tie sustainability to business performance thereby improving the quality of our growth while creating value for all stakeholders.

**Norman Aquilina**
**Group Chief Executive**
29 May 2024

SIMONDS FARSONS CISK PLC

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2024

# DIRECTORS' REPORT

The Board of Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 January 2024.

## Principal activities

The Group is engaged in the brewing, production, and sale of branded beers and beverages. Additionally, through subsidiary companies it operates the importation, wholesale, and retail of food and beverages, including wines and spirits. The Group also manages franchised food retail establishments and the renovated iconic Brewhouse, which features several catering outlets, an events area, a microbrewery, and The Farsons Brewery Experience dedicated to the history of Simonds Farsons Cisk.

## Review of the business

### TRADING PERFORMANCE

The Board of Directors hereby announces the financial results of the Farsons Group (the Group) for the year ended 31 January 2024 (FY 2024).

The Group continued to prudently manage its growth and profitability in a market that has been shaped by the unprecedented global disruptions of recent years. These have included the COVID-19 pandemic, the war in Ukraine, geopolitical tensions, severe disruption to established supply chains and product supply, as well as surging inflationary pressures. These inflationary pressures are now abating as a result of the measures implemented by the European Central Bank – but at the cost of significantly higher interest rates. In Malta, the tourist sector has seen a strong recovery with tourist arrivals for calendar 2023 approaching the 3 million mark, marking an increase of close to 30% on 2022 arrivals. The higher number of visitors has come with changes in demographic, source and spending power – and a continuing shift in accommodation preferences.

Domestically, the population growth in the Maltese Islands over the last decade has been driven by high levels of imported labour (both from the EU and elsewhere). However, this has not served to successfully mitigate the severe human resource shortages being faced by numerous private enterprises. The supply of suitably skilled technical and logistics personnel and overall labour market stability has remained notably strained during the year under review. The Farsons Group, a key employer in Malta with a headcount of close to one thousand, has found the tasks of both recruiting and retaining suitably qualified human resource an ongoing challenge. The Group remains strategically focused on attracting, training and retaining talented individuals for its management and operational roles.

FY 2024 saw Group turnover continue to reach new levels, reaching a record high of €132.9 million, an increase of 12.4% over the previous year. This growth in revenues came from both the Beverage and Food operating segments of the Group. Revenue from the Beverage sector increased by 8.8%, whilst the Food sector grew by 23%. Beverage revenues included close to €1.7 million arising from the first full year of operations at The Brewhouse. The higher growth in Foods resulted from the full year operation of a number of franchised outlets opened midway through the previous year and rising demand in general, due to changes in population and tourist demographics. This growth in revenues from the food outlets was further complemented by an increase in the wholesale distribution segment of the Group's Food portfolio.

Whereas Group revenues grew by 12.4% overall, selling and distribution, and administration costs grew by 16%. Much of this increase was directly related to volume growth, but was also impacted by higher human resource costs and the first full year of costs (including depreciation) in the startup of The Brewhouse operations.

Group employee costs increased by €3.3 million compared to last year which translated into an increase of 8.8% in average remuneration per Group employee. The Group's full-time equivalent employees (FTE) increased by 5% with a total (average) workforce of 954 FTE for FY 2024.

Group profit before taxation for the year amounted to €16.1 million (FY 2023: €15.3 million) – an increase of 5%. The Group's overall rate of return on turnover (before finance costs) dropped from 14.1% to 13.1%. The Beverage sector result was 3.3% lower than that registered in FY 2023, predominantly reflecting the startup phase of the new operations at The Brewhouse which, though cash positive, is still ramping up through the startup phase and attracts a high (fixed) depreciation charge. In the Food segment, the overall result improved from a return on revenue of 5.5% in FY 2023 to 7.6% this year, reflecting the full year's operation of a number of new outlets. The overall Group return was further dampened by a net impairment charge of financial assets, prudently provided for in accordance with International Financial Reporting Standards. Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year totalled €27.8 million as compared with €26.4 million in FY 2023 – an increase of 5.1%.

Group net borrowings at the end of FY 2024 amounted to €14.4 million (2023: €14.7 million), resulting in a debt-to-equity ratio of a modest 9.7% (2023: 10.6%). Throughout the year, the Group maintained a healthy liquidity position, with a strong focus on ensuring appropriate credit control measures are in place whilst at the same time ensuring that all its suppliers are paid within stipulated time frames. Total equity of the Group at the year-end amounted to €148.7 million (2023: €139.2 million), the increase resulting from retained profits for the year.

## INVESTMENTS

Over many years the Farsons Group has consistently re-invested in its business, maintaining a high level of capital expenditure to ensure state-of-the-art production and logistics facilities. On the Food side, the Group has sustained a programme of new openings as well as regularly upgrading and refurbishing existing outlets.

Totally funded from internal resources, FY 2024 saw the completion of the rehabilitation and restoration of the iconic Brewhouse. Now converted into The Brewhouse, it incorporates a variety of eateries, a microbrewery, office and events space together with The Farsons Brewery Experience depicting the proud history of Simonds Farsons Cisk Group over the years. This restoration programme has represented the most significant capital expenditure project undertaken over the past five years. One measure of the success of this investment is the number of awards the Group received, notably, the Malta Stock Exchange 'Company of the Year' award for the financial results achieved and the coveted Din l-Art Helwa award Prix d'Honneur for the 'Regeneration of an Area' category as the best winner overall in all categories. The Brewhouse will continue to project and promote the Group's emblematic brands.

During FY 2024 the Group also continued to invest in a number of renewable energy initiatives through the further acquisition of higher tech photovoltaic panels as well as with a programme of incrementally replacing the Group fleet and delivery vehicles with environmentally approved replacement units.

The Group will continue to invest in the future well-being and growth of the business with particular attention being paid to digital, environmental and energy saving considerations. Further enhancements of the logistics facilities within the Mriehel production footprint are planned for the forthcoming year. In order to enhance security of supply, the Board has approved investment in a $CO_2$ recovery plant as well as the further acquisition of PV panels. FY 2025 will see the commencement of a major investment in an automated returnable packaging facility at the brewery.

On the Food side, the Group has just embarked on another major project in the form of the construction of a state-of-the-art logistics centre and a new office block located in Handaq. This new facility will be occupied by both Quintano Foods and Food Chain as current logistics and support operations have outgrown the existing warehousing facilities in Qormi. The requisite permits and approvals have been obtained and construction works commenced in the second quarter of 2024. The project is slated for completion in 2026 and will provide enhanced warehousing capabilities together with a digitalised inventory management system which will enable the Food segment of the Group to expand its market reach while improving services to a broader customer base. This project is being developed on land which has been in the Group's portfolio for a number of years.

As announced in the FY 2023 Directors' report, a strategic review of opportunities for the further expansion of the Foods business is being carried out by management in conjunction with the Board. This review (which is currently under way) includes an in-depth study of the most optimal corporate structure within which the business should be operated. The Board will, inter alia be carefully considering the benefits and advantages that may accrue to the Foods business and the shareholders from a potential structuring of the enlarged operations in a separate listed entity. This strategic review is still work in progress and detailed proposals will be brought forward to the shareholders at the appropriate time.

## OUTLOOK FOR FINANCIAL YEAR ENDING 31 JANUARY 2025

The outlook for FY 2025 is diverse. Whereas there is an expectation that the tourist sector will continue to grow (which augurs well for further sales growth), competition across all market segments remains intense. With the ongoing shortages of supply in the labour markets, costs will also continue to rise. Complex EU regulation is a growing phenomenon across all our businesses, and of course compliance therewith also comes with a cost. This combination of a competitive marketplace and rising costs means that margin compression will be ongoing. As noted last year, it is neither possible nor indeed desirable to pass on all increases in costs, and we must find a solution to these pressures through greater efficiencies and innovation across all our activities.

The Farsons Group remains steadfast in its commitment to provide customers with quality products and service efficiency. The Group upholds high ethical and governance standards, earning the respect of all our stakeholders, including customers and suppliers alike. These guiding principles will continue to be the bedrock of the Group, particularly in an increasingly competitive and demanding regulatory environment for our range of food and beverage products. In the face of intense competition (not all of which is necessarily on a level playing field) the Group will continue to deliver innovative products of the highest quality and standards and in full compliance with industry regulations.

The Board of Directors, along with management, continuously monitors the rapidly evolving macroeconomic and geopolitical landscape. The changing market patterns, challenges of cost containment, and the need to enhance operational efficiency, while investing in the Group's human capital and infrastructure remain the primary focus for the coming years. The financial strength of Farsons Group, with shareholders' equity standing at €148.7 million, is a crucial factor in enabling the Group to navigate the shifting economic scenarios. The Group will continue to manage its operations and finances in a responsible and prudent manner so as to generate sustainable turnover and profitability in the years ahead.

## FINANCIAL RISK MANAGEMENT

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

## DIVIDENDS AND BONUS SHARES

The statements of financial position and the income statements are set out on pages 78 to 80. As at 31 January 2024, retained earnings amounted to €88.4 million (2023: €78.9 million).

The Board will be proposing to the forthcoming Annual General Meeting (AGM) the payment of a final net dividend for the year under review of €3.96 million (equivalent to €0.11 per share). If approved at the AGM, this dividend will be paid to shareholders on the 27 June 2024. Subject to this AGM approval, the total dividends paid in respect of FY 2024 would amount to €5.76 million (equivalent to €0.16 per share).

## 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*
Marquis Marcus John Scicluna Marshall *(up to 9th November 2023)*
Mr Matthew Marshall *(from 9th November 2023)*
Dr Max Ganado LL.D.
Mr Roderick Chalmers M.A. Div. (Edin.) F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms Marina Hogg
Mr Michael Farrugia M.A. (Edin.), MBA (Warwick)
Baroness Justine Pergola *(up to 9th November 2023)*
Mr Neil Psaila *(from 9th November 2023)*

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 2024 are included in the Annual Report 2024, 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 2024, 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 a 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 2024, 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 74 to 77 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 Market 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 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 conforms with the requirements of the Capital Market Rules.

## AUDITORS

The auditors, PricewaterhouseCoopers, have carried out their last permissible statutory audit of the Company and its subsidiaries (the "Group") for the Financial Year ending 31 January 2024. In accordance with the provisions of Article 151A of the Companies Act (Cap 386), PricewaterhouseCoopers are not eligible for re-appointment as statutory auditors of the Group. Following the issuance of a request for proposals, a comprehensive evaluation of the submissions received, and presentations made, the Board of Directors has resolved that it will be recommending the appointment of Deloitte Audit Limited as the statutory auditors at the next Annual General Meeting of the Company.

***Signed on behalf of the Company's Board of Directors on 29 May 2024 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 2023/4.***

Registered address:

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

Telephone (+356) 2381 4293

**Nadine Magro**
**Company Secretary**

29 May 2024

# STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

This statement is being made by Simonds Farsons Cisk plc (SFC or Farsons or the Group) pursuant to Article 177 of the Companies Act (Cap. 386). In terms of the Sixth Schedule to the Act, SFC is obliged to prepare a report containing the necessary information for an understanding of the Group's development, performance, position, and impact of its activities on environmental, social and governance matters.

## MESSAGE FROM THE CHAIRMAN OF THE ESG COMMITTEE

As a listed company in the European Union (EU), the Farsons Group, like many thousands of other similarly listed companies, as of the next financial year will be subject to the EU's Corporate Sustainability Reporting Directive (CSRD), which seeks to provide a comprehensive regulatory framework for Sustainability Reporting within the EU.

Defined by a set of compliance and disclosure requirements outlined in the European Sustainability Reporting Standards (ESRS), the CSRD aims to scrutinise companies' ESG performance by requiring extensive and detailed disclosures about how sustainability issues affect a company's business, as well as information related to the impact of its activities on the environment and society.

The scope of the CSRD also includes sustainability governance, the interaction of sustainability impacts, sustainability-related risks and opportunities, together with the business strategy, policies and action plans to manage these impacts, risks and opportunities. All the information will also require independent assurance certification, beginning with limited assurance over Year 1 reporting and increasing to reasonable assurance at some point thereafter.

In anticipation of this significant new regulatory framework, the Group has taken several concrete steps to better understand the nature and scope of the directive, engaging with consultants and attending a number of relevant workshops and discussion forums, while setting up an ESG committee composed of a cross section of Group personnel including board directors to guide the process and prepare for full disclosure and compliance.

A long-time advocate of corporate sustainability, Farsons Group is wholeheartedly committed to playing its part and embracing the spirit and driving force of the Directive. The Group will continue to commit significant resources on all fronts to improve its performance, to make a positive social contribution, and to mitigate and minimise any negative impact its operations may have on society and the environment.

Moreover, beyond the targets and metrics set out by the Directive, the Group will continue to improve its ESG credentials in the stern belief that it is the right thing to do for the community, society and the planet at large - a philosophy which has indeed contributed to a great sense of pride at Farsons over the decades and provided the firm bedrock upon which the business has been built.

*Mr Michael Farrugia - Chairman of the ESG committee*

## 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 is engaged in the brewing and manufacture of local and international beers and beverages including the Cisk range of lager beers, Farsons Classic Ales, Carlsberg, Skol, Kinnie, Pepsico 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 several international market leaders in the food and beverage industry through long–standing relationships.

Farsons Beverage Imports Company Limited is an established leader in the importation, distribution and retail of wines and spirits, representing a prestigious portfolio of beverages, whilst EcoPure Limited distributes dispensed bottled San Michel water directly to door. The Brewhouse Company Limited was set up in October 2021 and manages the operations of The Brewhouse, which primarily includes a range of food and beverage outlets, a brewery visitor attraction, retail and events spaces. Quintano Foods Limited operates a food importation and distribution business and represents a range of renowned international brands, whilst Food Chain Limited operates several global franchised food outlets across the island. The Group's culture is one of total commitment to food safety and quality standards to always ensure the highest levels of customer service and satisfaction.

SFC is a public company with its registered address being The Brewery, Mdina Road, Zone 2, Central Business District, CBD 2010, Birkirkara, Malta. SFC's issued share capital is made up of 36,000,000 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 year-end 79.3% of the issued shares were owned by the three major shareholders, with the balance being held by the general public.

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 entails 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 Group generated a turnover of €132.9 million during the year ended 31 January 2024 and employed an average of 954 (full time equivalent) employees during the year under review. The Group has long recognised its corporate responsibility towards all stakeholders and the wider society it serves and continues to actively support several community initiatives through the Farsons Foundation. The Group furthermore remains committed to upholding the highest standards of corporate ethics and good governance and remains bound and guided by a strong sense of immutable values, which continue to sustain its long-standing and highly esteemed reputation within the market.

## OUR COMMITMENT TO THE ENVIRONMENT

### POLICIES AND RISKS

The risk to which our environment is exposed cannot be underestimated and represents an increasingly important and urgent area of policy focus on a global basis. Extreme weather events, natural disasters and water shortages are all in part consequences of global warming and the failure of climate change mitigation measures. As with all beverage companies, the Group is exposed to environmental risks by way of its agricultural supply chains and its significant dependence upon the supply of good quality water.

"The risk to which our environment is exposed cannot be underestimated and represents an important and urgent area of focus on a global basis"

Given the challenges at hand, water conservation and energy efficiency are therefore key to ensuring a more sustainable outcome alongside the equally critical goal of responsibly disposing of all packaging waste, which is a key area of wide-ranging EU policy focus and regulation.

In its bid to counter the impact of environmental risks and play its part, the Group continues to deploy significant resources and investment to both decarbonise its operation and offset its environmental impact through new technologies and processes and better management of its water consumption, energy emissions and packaging waste.


## ENERGY USE AND GREENHOUSE GAS EMISSIONS

The Group acknowledges the impact of emissions on its environment and is committed to reducing its carbon footprint. Key Operations concerning energy consumption, efficiency, and greenhouse gas (GHG) emissions are monitored and reviewed at regular intervals. New investments are increasingly assessed not only in terms of their financial and commercial impact but also in terms of their whole life cycle and environmental implications.

Several substantial investments are currently underway to reduce the brewery's carbon footprint and chief among these is the installation of a 275kg/h $CO_2$ recovery plant, which is expected to be implemented and commissioned in Q2 and Q3 2024 and follows a considerable period of careful planning and preparation by the technical team. The two million euro investment and plant will capture the $CO_2$ produced during the beer fermentation process, allowing it to be reused in the brewing and filtration process. Apart from providing additional security of supply, the recovery plant will reduce the need for at least 500 tons of $CO_2$ to be shipped from overseas, thereby also reducing the Group's carbon footprint in the process.

The designs for the implementation of a liquified petroleum gas (LPG) storage and distribution system have now also been completed and it is planned to be installed in Q3 2024. This system which powers the steam generating boilers has the potential to replace around 80% of the current diesel/gasoil usage. Whilst the switch to LPG will result in a relatively small reduction in GHG, it will significantly reduce emissions of other pollutants such as sulphur oxides (SOx), nitrogen oxides (NOx), and particulate matter.

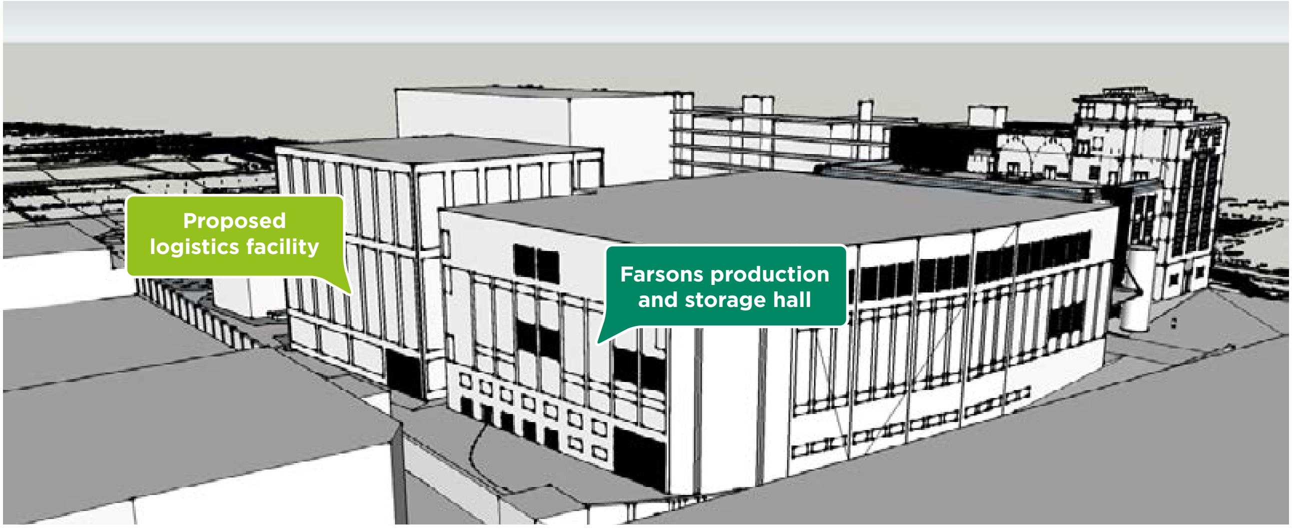
Several measures have been implemented to optimise the usage of steam and target savings on fuel oil consumption via the upgrading of several steam meters installed on large consumers. These meters will allow for superior monitoring capabilities and yield more accurate usage data to monitor trends and take the necessary action as and where required. Similarly, preparations for a new essential switchboard within the Energy Centre, which supplies emergency standby power to the Engine and Boiler Room and Workshop, were undertaken by the technical team with the intent of further optimising electricity supply towards essential projects.

In September 2023, the oldest refrigeration chiller, installed in the engine room, was also decommissioned. This guarantees that newly installed, high-efficiency chillers are utilised to carry the load and significantly reduce the number of refrigerant gases consumed on site. Additionally, these chillers make use of refrigerant gases with a very low GHG impact.

Three new high pressure air compressor cooling towers were also installed in the PET line and used for supplying high pressure compressed air for the blowing of preforms. Following this upgrade the new cooling towers will give added flexibility and efficiency to utilise all three compressors depending on the compressed air demands of the PET Blower, thereby also reducing overall electrical consumption.

The Group continues to give key importance to the on-site generation of energy via clean renewable sources. In this regard, a tender specification and RFQ document was prepared by the technical team for the installation of a large Solar PV farm on the roof of the Logistics Centre, which followed the successful application for a FIT which was awarded at €0.138/kWh. Covering a total available area of approximately 5,600m$^2$, the installation is estimated to cost €400,000 and once commissioned in Q2 2024, this 835 kWp PV system will be capable of generating around 1.2Million kWh of clean electricity per year.

"Apart from providing security of supply, the $CO_2$ recovery plant will reduce the need for at least 500 tons of $CO_2$ to be shipped from overseas, thereby also reducing the Group's carbon footprint."




"This significant investment will contribute to a considerable upgrade of the logistics operation, centralising and optimising the storage of reffilables, while also increasing storage capacity for finished goods"

## NEW LOGISTICS FACILITY

Over the last year, the Group applied to the Planning Authority for the development of a new and automated logistics facility on its brewery site in Mriehel. Designed to house up to approximately 7,500 pallet positions of returnable, as well as finished goods, the new facility is a tall 32-meter-high structure that will have a racking system served by the latest automated stacker cranes and shuttle racking technology. This significant multi million investment will contribute to a considerable upgrade of the logistics operation, centralising the storage of its empties, while also increasing storage capacity for finished goods.

Apart from the centralisation of storage and increased capacity, the facility will also improve the sorting and inspection process of its returnable and refillable products by automating the process and feeding its production lines through a series of conveyors and pallet lifts, which will provide considerable flexibility to the facility, while also reducing doubling handling and inefficiencies.

Located on the site of the former 1970s bottling facility, the temporarily converted warehouse, will be partially reinstated and partially demolished, while the Switch Gear Room and Sub Station located on the same site, will be relocated to allow for maximum storage capacity. As part of the project, the Group is also looking to invest in an array of solar panels, which will be installed across the new facility, while the surrounding operational ring road and south boundary wall, will be significantly upgraded.

Following the unanimous approval and permit from the Planning Authority in November 2023 to proceed with the development, the Group immediately issued the tender for the supply and construction of the facility, with works expected to be awarded by mid-2024 and completed by end of 2025.

## DISTRIBUTION FLEET UPGRADE & ROUTE OPTIMISATION

The modernisation of the distribution fleet is an ongoing process which involves substantial annual investment. The objective is to fully replace the remaining 25% of the fleet with European Emission Standard vehicles by the end of 2024. Most of the new trucks are already on order and two of them will be electric.

Due to the growing traffic congestion and lack of unloading facilities available, the new trucks being purchased are smaller, which translates into less payload and more frequent trips to keep up with the same volumes delivered. In addition, due to market demands of more frequent and fragmented orders, customer orders have increased by 6%. Whilst the Group remains committed to meet customer demands and limit the impact on traffic, the reduced capacity and the increased customer orders are resulting in longer distances being travelled, thereby resulting in higher costs and emissions. With this trend seemingly on the increase, the Fleet Management System, which is to be implemented by Q2 2024, is expected to assist Route Planners to optimise the trips thereby partially mitigating this negative impact. Concurrently, the system will provide the ability to measure $CO_2$ emissions and costs, enabling the Group to identify and manage inefficiencies.

In pursuit of reducing the impact on the environment, all company passenger cars purchased during the year were all-electric, increasing the percentage of electric vehicles to 14% of the total fleet. Whilst the goal is to further increase the number of electric cars, this is proving challenging due to the lack of charging infrastructure in Malta. Most of the Group's sales force work remotely and seldom commute to work. However, the team feels encouraged by the recent Government announcement that more charging stations shall be installed across the country, which will facilitate efforts to transition to a more sustainable mode of transport.


## PACKAGING WASTE

The Group is highly conscious of the significant impact packaging has on the environment. Consumers are indeed rightly concerned about this important issue and the introduction of the EU Packaging and Packaging Waste Regulation (PPWR) is designed to foster a circular economy by promoting the use of sustainable packaging, elimination of excessive packaging, waste reduction and increased recycling rates.

To this end, the Group has taken several initiatives to play its active part in fostering a circular economy, most notably in the form of the Beverage Container Refund Scheme (BCRS), which was launched nationwide in November 2022. As one of the founding members of the Malta Beverage Producers Association (MBPA) that together with the Retailers and Importers Association forms BCRS Malta Ltd, the Group remains unequivocally committed to ensure that the all the environmental targets are attained within the clearly established business model that includes 'not-for-profit' as a key principle.

After one full year of operation and notwithstanding various operational challenges, BCRS has indeed managed to exceed both collection and recycling targets as stipulated by the License Agreement and continues to win broad consumer support. Under the BCRS, consumers are encouraged to return empty beverage containers, such as bottles and cans, to designated collection points in exchange for the deposit refund of €0.10. This simple yet effective concept motivates individuals to participate in national recycling efforts while reducing littering on a national scale.

One of the key strengths of the BCRS lies in its ability to engage a wide spectrum of stakeholders, including consumers, retailers, beverage manufacturers and importers. By establishing partnerships with various stakeholders, the BCRS created an infrastructure for the collection, processing, and recycling of beverage containers (PET, Aluminium, Steel, Glass) which are shipped out to European-licensed recycling plants which are backed by official recycling certificates. For consumers, participation in the BCRS instils a sense of environmental responsibility while retailers play a crucial role in facilitating the collection and return process of containers. From a broader perspective, the BCRS contributes to the overarching goal of reducing waste and conserving natural resources. By diverting beverage containers from landfills, the scheme also minimises environmental pollution and conserves valuable raw materials and resources which are recycled, thereby reducing packaging waste.

"After one full year of operation and notwithstanding various operational challenges, BCRS has indeed managed to exceed both collection and recycling targets and continues to win broad consumer support."

Additional measures to promote a circular economy and to comply with EU measures to reuse, recycle and recover packing waste were also undertaken by the Group with its decision to convert all its single serve PET bottles into 100% recycled PET. With this conversion the percentage of recycled PET placed on the local market on an annual basis is already conforming to the EU 2025 directive threshold of 25% and Farsons Group remains intent on converting other bottle formats into recycled PET in the near future.

## WATER USAGE & CONSUMPTION

At Farsons Group, water management is ingrained in its operational culture, heightened by the strong awareness and knowledge that water is not only a main raw material for the production of its beverages but also a scarce resource, especially within the specific context of the Maltese Islands. This belief is shared by employees at all levels. The Group strives to ensure and guarantee the efficient use of water in all its processes, while the recovery of water is a daily responsibility and forms part of the Group's water resource management programme.

All the water used in Farsons-finished products is potable municipal water purchased from the Water Services Corporation. All purchased and supplied water goes through an extensive filtering, purification, and treatment regime to meet the strict product water specifications necessary to meet the Group's premium quality standards. This water portion represents approximately 97% of the water used in our production processes, with the remaining 3% supplied as recycled water which is sourced from our water capture and storage capabilities. The latter water sources are typically reserved for cleaning requirements and maintaining equipment.

The Group also recovers water from several processes, including can and PET bottle rinsing and some water filtration processes. Another important aspect of water management at Farsons relates to the recovery of condensate water generated during production and the use of steam in its various processes. This is in turn re-used to generate more steam.

## OUR COMMITMENT TO OUR PEOPLE AND TO THE COMMUNITY

### 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 everyone 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.

*Godwin Borg, Maintenance Specialist – Brewing, receiving the STRIDE Award during the 2023 edition of the Cause for Applause Recognition Event.*

### FOOD SAFETY

In 2023, the Farsons Group Quality and Food Safety programme underwent four comprehensive audits, which were assessed against three standards (ISO9001:2015; AIB consolidated standard; BRCGS v9). These audits were conducted through the services of the Programme's accredited certification body, British Standards International (BSI), and the support of AIB International, a food industry specialist that conducts inspections on behalf of PepsiCo. The Group is delighted to announce that all three standards were successfully audited, including the updated BRCGS V9. The new version presented new opportunities and challenges, and the Group is pleased to report that it has met and exceeded all expectations.

The BRCGS Food Safety standard underwent 2 audits, with the second audit conducted in November 2023. The latter was an unannounced audit of the newly launched version 9 which the Group obtained with the highest grade of AA+, a testament to the unwavering commitment to upholding high levels of Quality and Food Safety throughout the year. The findings raised in these audits were successfully addressed as is required for the certification to be reissued. As expected, these audits are very productive exercises that support our ongoing pursuit for continuous improvement and operational excellence.

> "The Group obtained the highest grade of AA+ in the announced audit of the newly launched BRCGS V9 food safety standard."

### WORKPLACE SAFETY

Safety has always been a top priority for the Group. Robust safety standards apply across the Group's operations, which are rooted in a Safety Management System based on international standards and a Vision Zero accidents programme. These systems and frameworks serve as guiding principles in our pursuit of a workplace where accidents are prevented, risks are mitigated, and employee well-being is given priority.

However, despite the Group's efforts, the number of reportable accidents regrettably persisted at 24, mirroring the statistics from the previous year, while the number of lost days saw a spike from 227 to 337 over the same period. The latter spike was distorted by a notable single case, which contributed to 53 lost days alone, indicating the criticality of comprehensively addressing specific incidents.

Against these concerns, the Group acknowledges that more work remains to be done particularly in the area of Logistics and Operations, which both saw an increase in reported injuries and respectively account for 54% and 33% of total injuries. Identifying such concerns entails conducting a thorough evaluation of existing procedures and implementing targeted interventions to fortify our safety protocols and incident response mechanisms.

In parallel, the Group remains committed towards promoting a culture of safety consciousness where managers, employees and contractors are expected to responsibly take care of their own safety. Regular training sessions, hazard awareness programs, and open communication channels continue to form integral components of the Group's drive to promote a safe and healthy work environment.

## RESPONSIBLE DRINKING


Farsons is a founding member of the Sense Group, a non-profit organisation that was set up in 1997 with the core objective of promoting the responsible and moderate consumption of alcohol. Since its inception, the Sense Group has organised numerous campaigns to educate consumers on the perils of excessive drinking highlighting the significant risks of alcohol abuse.

Leading up to 2023, key trends within the fast-evolving Maltese social landscape continued to show an increase in mental health problems among both young and mature adults, as well as increased road recklessness resulting from substance and alcohol abuse.

Cognisant of this negative trend, the Sense Group in 2023 sought to remind individuals to take a moment to reflect on their lifestyle and the role that moderation plays in their pursuits, which was communicated with the promotional message, "It's about time to be drink aware, face it, own the problem and stop it". Primarily targeted at a young audience, the campaign was launched during the summer of 2023 and covered a two-month summer period.

Over the last financial year, the Group has also voluntarily updated all its primary beer packaging and labelling to include calorie information as part of a broader pledge by brewers across Europe to ensure clearer and more transparent consumer information. This initiative follows a memorandum of understanding signed in 2019 between the Brewers of Europe, of which the Group is a member, and the European Commissioner for Health and Food Safety.

## NON-ALCOHOLIC OPTIONS



In recent years, consumers around the globe are also increasingly embracing healthy balanced lifestyles – a trend that is being reflected in their choice of beverage. Younger generations are consciously opting to consume less alcohol, which has stimulated considerable innovation within the beverage industry to meet this growing demand, most notably in the form of low and non-alcoholic beverages. While non-alcoholic beers were initially primarily positioned as a solution to curb drink driving, today they are increasingly becoming a beer of choice in other social contexts, such as during lunch, after work hours and other everyday occasions.

As a responsible brewer, the Group wants to create a positive beer culture and encourage consumers to enjoy its products responsibly, while offering great tasting non-alcoholic options such as Cisk 0.0 and Carlsberg 0.0, which continue to win consumer favour.

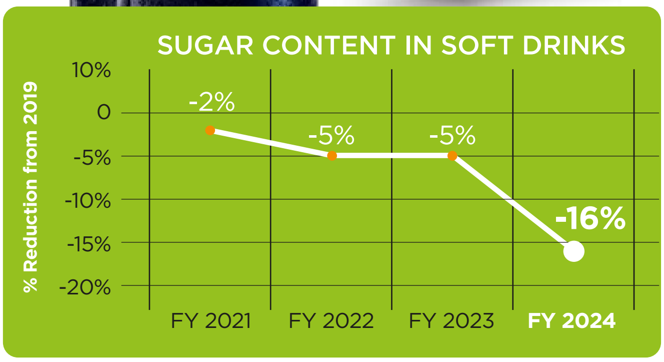
By increasing its availability, innovation and expanding its offering, the Group is intent on accelerating the growth of the non-alcoholic segment by also adjusting its messaging to present non-alcoholic options as a positive consumer choice, which does not in any way fall short of flavour or experience.

The Cisk 0.0 campaign of this year specifically highlighted this point by carrying the message 'FREE TO CHOOSE' which promoted the enjoyment of an alcohol-free beer in any social setting, be it a bar where alcoholic drinks are traditionally consumed, or outdoors.

## REDUCING SUGAR CONSUMPTION

The Union of European Soft Drinks Association (UNESDA) has recently issued a renewed pledge to further reduce the sugar content in soft drinks by 10% from 2019-2025 across the EU-27 and the UK. This commitment is applicable to all product categories under UNESDA's remit including sparkling and still soft drinks but excludes bottled water, 100% juices, milk based and hot beverages.

As members of UNESDA, Farsons has renewed this pledge, and the table shows that the Group has indeed already reduced its overall sugar usage by 16% when compared to 2019. This accomplishment has been made possible through PEPSICO's reformulation of 'full sugar' variants, and a shift in consumer preference towards sugar-free variants, which the Group continues to encourage. Sales volumes of sugar-free variants have increased almost 15 times faster than sales of full/reduced sugar between 2019 and the year under review and a number of further product innovations are in the pipeline, which are intended to further promote this positive trend.


## THE FARSONS FOUNDATION

The Farsons Foundation was established in 1995 by the Board of Directors of Simonds Farsons Cisk plc as a non-profit social purpose organisation. Over the years, it has targeted numerous well serving initiatives, which support the local community and the conservation of Malta's heritage and built environment.

The Farsons Foundation has established strong links both with the University of Malta and MCAST and has been a long-term supporter of JAYE with the aim of strengthening the links between the world of work and academia, as well as entrepreneurship. This year the Foundation has once again renewed its agreement with the University of Malta, which is the third three-year renewal, and which aims to foster collaboration in the fields of Engineering, Built Heritage, Arts, Economics, Management, Accountancy, Social Wellbeing and Labour Studies. Initiatives relate to collaborative research including publications, providing input to the development of university courses, actively supporting the Deans' Awards and supporting projects as may be proposed.

An additional special agreement was concluded between the Farsons Foundation and The University of Malta Research, Innovation and Development Trust (RIDT) following the fortunate discovery of a collection of scenery that belonged to the Royal Opera House. This serendipitous discovery presents an important aspect of Maltese theatre history of which very little is known. The Farsons Foundation agreed to sponsor the publication, authored by Professor Vicki Ann Cremona, which delves deeply into the history of the Royal Opera House, which the Farrugia family was closely linked to during the same period of study.

*Signing of a special agreement between Farsons Foundation and The University of Malta RIDT.*

Another growing area of focus of the Foundation is related to physical and mental well-being, including responsible drinking and sensible eating. The Foundation has also continued to support individual philanthropic requests and social solidarity causes whilst being a strong and ongoing supporter of L-Istrina, Hospice Malta and Caritas Malta, amongst other organisations.

The Farsons Group has indeed long recognised its corporate responsibilities towards all shareholders and the wider community. The Foundation is led by a Board of voluntary administrators and is supported by an administrative official. It met five times over the last financial year and contributed to a number of requests of which 36% were related to Social Solidarity, 43% of which were cultural and historical focused, and 21% related to educational and environmental projects.

*Health Checks provided by the Health Promotion Department*

*Marylee Vassallo, Purchasing and Administration Executive receiving her award for 10 years of service with Farsons*

*"Empowered: Building on Women's Achievements in a Digital Era" – A panel discussion organised on the occasion of International Women's Day 2023*

*Students from MCAST finish their 2-year apprenticeship programme.*


*Engineering students on an educational visit to Farsons.*

*The Annual Employees' Summer BBQ*

*All Farsons Employees were invited to tour the newly opened Farsons Brewery Experience*

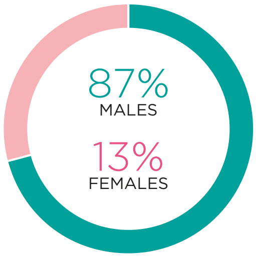
## CORPORATE AND COMMUNITY ENGAGEMENT

Farsons Group has consistently acknowledged its role as a responsible "corporate and community citizen", a commitment deeply ingrained in its mission statement and rooted in enduring values that have withstood the test of time. This commitment is evident in the robust relationships the Group has fostered with the community at large through a variety of Corporate Social Responsibility (CSR) initiatives.

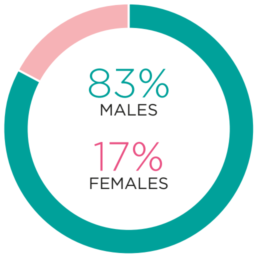
Apart from the work carried out by the Farsons Foundation, the Group also encourages its employees to initiate and participate in several individual voluntary initiatives such as blood donation drives, or collectively with local NGOs, such as the activities held on CSR Day.

The Group continues to operate an Employee Assistance Programme in collaboration with the Richmond Foundation, maintains a partnership with Caritas, and significantly contributes to an Employee Welfare Fund. These initiatives also play a vital role in raising awareness and providing support in the areas of mental health and overall well-being.

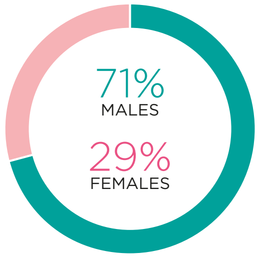
**GOVERNANCE OF THE FARSONS GROUP BY GENDER**



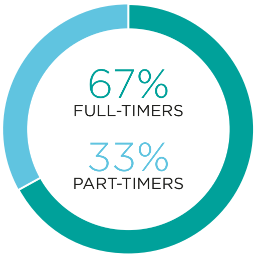

**MANAGEMENT OF THE FARSONS GROUP BY GENDER**



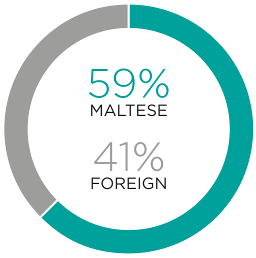

**EMPLOYEES OF THE FARSONS GROUP BY GENDER**




**EMPLOYEES OF THE FARSONS GROUP BY TYPE OF ENGAGEMENT**




**EMPLOYEES OF THE FARSONS GROUP BY NATIONALITY**




**FARSONS GROUP EMPLOYEES' AVERAGE AGE**

37.8
YEARS OLD

**EMPLOYEES' AVERAGE YEARS OF SERVICE**

4.73
YEARS

## DIVERSITY, INCLUSION AND EQUALITY

Farsons Group is dedicated to cultivating a positive and inclusive work culture that values diversity, equity, and inclusion. All employees are encouraged to participate in events and activities that reflect these values, fostering more engaged teams and contributing to a harmonious workplace. By embracing a fair, diverse and inclusive workplace, the Group aspires to create winning teams that support creativity and innovation. To this end, all leaders and management are expected to champion inclusive behaviour, while the Group actively supports improving gender balance through flexible working and parental leave, particularly for women looking to balance home and work life. Several employees have also been granted management approval to work outside the office, which has contributed to employee retention and empowerment.

Employee recognition is widely acknowledged as an important motivator in the workplace. A highlight of the year is the annual Cause for Applause recognition event which turns the spotlight on employees who would have embraced and embodied the Group's values in some exceptional way. In addition to such special events, the Group's HR team also organises several social gatherings for its employees and their families, as well as retirees who warmly welcome and attend such events.

## TRAINING AND EDUCATION

The Group has consistently prioritised employee development through diverse initiatives and programmes to ensure that its employees possess the essential skills and knowledge required for effective job performance. This commitment is especially crucial in the current challenging labour market, exacerbated by the post-pandemic scenario, necessitating a greater focus on upskilling to bolster competitiveness.

In the year under review, the Group extended a variety of training opportunities to its staff, encompassing internal and external training programmes, workshops, and seminars targeting technical, transversal, management, and leadership skills. It is worth noting that the training function encompasses all Group employees except for the Food Chain Limited crew, who adhere to training requirements outlined in the respective international brands' franchise guidelines.

In 2023, the learning module within Success Factors (our Human Resources Information System) was implemented, allowing employees to register for applicable training programmes directly. Furthermore, the Group continued its support towards employees pursuing further education by sponsoring learning programmes leading to recognised qualifications. These study subsidy contracts also incorporate provisions for paid study leave in alignment with the learning and development strategy of the organisation.

In essence, Farsons remains steadfast in its commitment to furnish employees with the requisite training and education, fostering their professional growth and development. This dedication aims to enhance the Group's overall performance and competitiveness within the market.

# OUR COMMITMENT TO GOOD GOVERNANCE

In addition to the information provided in the Corporate Governance Statement forming part of this Annual Report, the Group has taken the initiative on numerous fronts to improve its overall reporting mechanisms with the implementation of various tools and software. A risk assessment is done on an annual basis whereby the priorities of the Group are outlined and worked on throughout the year, respecting the Farsons Group ethical values and supported by an internal audit function.

## BOARD PORTAL AND DOCUMENTATION MANAGEMENT SOFTWARE

In 2023, a board portal and documentation software was implemented, starting with the main company board and followed by the subsidiaries. Respective directors and system users were provided with comprehensive training on the use of the system, conducted by renowned software providers. The system is proving more helpful to facilitate information exchange, allowing functional decision making, all the while upholding good governance.

Additionally, Board Directors are now provided with easier access to required documents, as printing of any Board Documentation is prohibited, ensuring security of data while reducing the use of paper.

## HUMAN RESOURCES INFORMATION SYSTEM (HRIS)

The newly implemented Human Resources Information System (HRIS) enhances Group governance by centralising employee data and offering accessibility to management, the HR team, and relevant stakeholders. This system fosters informed decision-making based on accurate, real-time information, ensuring compliance with employment laws and GDPR. HRIS automation streamlines tasks like payroll, benefits administration, and time tracking, mitigating non-compliance risks and associated penalties. Standardising HR processes and policies promotes consistency and fairness, diminishing the likelihood of discrimination.

The system introduces a self-service portal for employees, providing access to personal HR data, and bolstering engagement and satisfaction. Additionally, the HRIS facilitates strategic decision-making through data analytics on performance, turnover and recruitment, and HR metrics. Its centralised database improves data accuracy, while role-based access controls ensure data security, reducing the risk of unauthorised access or breaches. This streamlined approach contributes to cost savings, enabling resource allocation to other business areas.

During this year in review, the Performance Management and Learning modules were implemented. The Performance module changed an essentially paper-based process to a collaborative digital workflow, whilst the Learning module enabled employees to self-register for applicable training courses and have instant access to their learning history, whilst allowing managers to be more efficient in scheduling training for their teams.

## ETHICS

The reputation of the Group is inherent to the way each of its directors and employees conduct themselves both individually and collectively. The Group's code of conduct identifies a set of ethical standards to which its directors and employees must adhere when exercising their duties, both inside and outside Farsons.

The code of conduct does not contain the answer to every ethical situation one may encounter but, together with existing policies and procedures, it is intended to guide its directors, leaders and employees to "do the right thing" and to ensure the highest standards of integrity. The code refers to respect towards other employees, customers, business partners, the community, and the environment. The code makes it clear that the Group has a zero-tolerance approach to bribery and corruption, money laundering, fraud, violence, discrimination, intimidation, and harassment. When dealing with the Group and its employees, third parties are therefore entitled to expect a standard of conduct that reflects high standards of ethical behaviour.

## BUSINESS RISK ASSESSMENTS

The Group is committed towards the implementation of an effective Risk Management framework that ensures an enterprise-wide approach to managing potential risks and opportunities that may impact the achievement of the Group's objectives.

The Audit and Risk Committee serves as a primary champion of risk management at a strategic and operational level to ensure that a sound system is in place which identifies, assesses, manages, and monitors risk.

In terms of the Code of Principles of Good Corporate Governance, the Group Internal Auditor coordinates a risk assessment process during which senior managers and their respective teams update their respective business unit's risk register in line with the evolving risk environment. Group management is in fact responsible for building a risk-aware culture within each business unit, updating the Risk Profile and performing a Risk Assessment for each business unit, agreeing Risk Management action plans, ensuring implementation of such risk treatment/mitigation measures, and identifying and reporting changed circumstances/risks. The Group Internal Auditor and a team of external consultants analyse, review, and challenge such updates, following which the revised risk register is presented to the Audit and Risk Committee.

## INTERNAL AUDIT FUNCTION

The Group Internal Auditor works on the basis of an audit plan, which focuses on high risk/priority areas as determined by the above-mentioned business risk assessment approach. The Audit and Risk Committee approves this audit plan and any subsequent revisions with respect to any ad hoc assignments arising throughout the year. Internal Audit audits the risk processes across the Group; evaluates and provides assurance on the management of risk, and reports on the efficiency and effectiveness of internal controls.

## COMPLIANCE WITH INTERNATIONAL SANCTIONS

With the ever-increasing imposition of sanctions, the Group is committed to full compliance with EU, UN and national sanctions. To this effect, The Group is working towards implementing the appropriate on-going sanction and adverse media screening tools, as well as such ad hoc controls as are required when dealing with customers and suppliers. An anti-financial crime policy shall also be implemented across the Group.

| SFC BEVERAGE MANUFACTURING - ENERGY, CARBON AND WATER | FY2022 | FY2023 | FY2024 |
|---|---|---|---|
| | | | |
| **Environmental performance data (beer and soft drinks production)** | | | |
| Total thermal energy consumption (kWh) | 94,385,300 | 94,286,675 | 90,436,554 |
| Total electricity consumption (kWh) | 7,922,840 | 8,461,640 | 8,269,897 |
| Total $CO_2$ emissions (from direct and indirect fuel consumption) (tons) (market-based) | 4,638 | 4,922 | 4,942 |
| Municipal water ($m^3$) | 221,672 | 244,019 | 252,933 |
| Own boreholes ($m^3$) | – | – | – |
| Total water use ($m^3$) | 221,672 | 244,019 | 252,933 |
| Total water consumption ($m^3$) | 221,672 | 244,019 | 252,933 |
| | | | |
| **Solid waste & by-products** | | | |
| Waste Oils (ltrs) | 1,900 | 875 | 1,000 |
| WEEE (kgs) | 17,650 | 9,880 | 4,720 |
| Recycled (tons) | 103 | 173 | 108 |
| Disposed of solid waste for landfill applications (tons) | 634 | 745 | 551 |
| | | | |
| **Relative figures for beer and soft drinks production** | | | |
| Thermal energy (kWh/hl) | 124 | 112 | 103 |
| Electricity (kWh/hl) | 10 | 10 | 9 |
| Combined energy (thermal and electricity) (kWh/hl) | 134 | 123 | 112 |
| $CO_2$ emissions (kg $CO_2$/hl) | 5 | 5 | 5 |
| Water (hl/hl) | 3 | 3 | 3 |
| | | | |
| **Other figures** | | | |
| Customer Complaints | 57 | 67 | 55 |
| | | | |
| **Thermal energy mix** | | | |
| Heavy fuel | – | – | – |
| Renewable energy | – | – | – |
| Light fuel | 100 | 100 | 100 |
| | | | |
| **Renewable electricity** | | | |
| Percentage of electricity from renewable sources | 4.96% | 5.27% | 12.62% |
| | | | |
| **LABOUR, HUMAN RIGHTS, DIVERSITY, EQUITY AND INCLUSION** | | | |
| | | | |
| Total workforce | 1,033 | 1,165 | 1,158 |
| | | | |
| **Number of employees by Company** | | | |
| Simonds Farsons Cisk plc | 382 | 389 | 395 |
| Farsons Distribution Services Limited | 55 | 69 | 71 |
| Farsons Beverage Imports Company Limited | 48 | 57 | 60 |
| Quintano Foods Limited | 51 | 50 | 53 |
| The Brewhouse Company Limited | – | – | 24 |
| EcoPure Limited | 18 | 22 | 21 |
| Food Chain Limited | 479 | 578 | 534 |
| | | | |
| **Percentage of employees by employment type** | | | |
| Full-time | 64% | 64% | 67% |
| Part-time | 36% | 36% | 33% |
| | | | |
| **Percentage of employees by gender** | | | |
| Men | 70% | 70% | 71% |
| Women | 30% | 30% | 29% |
| | | | |
| **Number of employees by nationality** | | | |
| Maltese | 741 | 660 | 680 |
| Foreign | 292 | 505 | 478 |
| | | | |
| **Percentage of senior management roles level by gender** | | | |
| Men | 73% | 73% | 83% |
| Women | 27% | 27% | 17% |
| | | | |
| **Employee turnover** | | | |
| Employees' Average Years of Service | | 5.8 Years | 4.73 Years |

# CONSOLIDATED DISCLOSURES PURSUANT TO ARTICLE 8 OF THE TAXONOMY REGULATION

## INTRODUCTION

In order to achieve the targets established by the European Union ('EU') 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 EU has developed a classification system, by virtue of the EU 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 at least one of these environmental objectives, whilst doing no significant harm ('DNSH') to the remaining objectives. This is achieved by reference to technical screening criteria established in delegated acts to the EU Taxonomy. The economic activity is also required to meet minimum safeguards established in the EU Taxonomy.

The six environmental objectives considered by the EU Taxonomy are the following, where climate-related environmental objectives (i-ii below) are established in the Climate Delegated Act ('CDA'), whilst non-climate environmental objectives (iii-vi below) are established in the Environmental Delegated Act ('EDA'). This financial year is the first reporting period in which the Group is required to report in the context of the EDA, which was formally adopted in 2023.

i. Climate change mitigation ('CCM');
ii. Climate change adaptation ('CCA');
iii. Sustainable use and protection of water and marine resources ('WTR');
iv. Transition to a circular economy ('CE');
v. Pollution prevention and control ('PPC'); and
vi. Protection and restoration of biodiversity and ecosystems ('BIO').

A Delegated Act to the EU Taxonomy was issued in 2021, supplementing Article 8 of the Taxonomy Regulation ('the Disclosures Delegated Act'), which establishes the disclosure requirements of entities within the scope of the Taxonomy Regulation.

This currently comprises entities subject to an obligation to publish non-financial information pursuant to the Non-Financial Reporting Directive ('NFRD'), emanating from Article 19a or 29a of the Accounting Directive.

The Disclosures Delegated Act was further updated in 2023 by the Complementary Climate Delegated Act to include certain energy activities relating to fossil gas and nuclear energy.

In the following section, the Group, as a non-financial parent undertaking, presents the share of its turnover, capital expenditure (CapEx) and operating expenditure (OpEx) for the reporting period ended 31 January 2024, which are associated with the following, in accordance with the Disclosures Delegated Act.

- Taxonomy-eligible and Taxonomy-aligned economic activities in respect of climate-related environmental objectives; and
- Taxonomy-eligible economic activities in respect of non-climate environmental objectives.

This does not include subsidiary level Taxonomy KPIs in the contextual information, which are only required where the parent undertaking identifies significant differences between the risks or impacts of the Group and those of the subsidiaries, in line with FAQ 12 in the Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice). The Group is currently still in the process of identifying such risks and impacts as part of its preparation for CSRD reporting.

The Group does not identify any significant differences between the risks or impacts of the Group and those of its subsidiaries. In addition, none of the Group's subsidiaries are currently obliged to publish non-financial information pursuant to the NFRD. Neither do they avail of the subsidiary exemption emanating from paragraph (9) of Article 19a, or paragraph (8) of Article 29a, of the Accounting Directive, respectively.

# OUR ACTIVITIES

## OVERVIEW

**Proportion of Taxonomy-eligible and Taxonomy-aligned economic activities in total turnover, CapEx and OpEx in FY 2024**

| FY 2024 | Total (€'000) | Proportion of Taxonomy-eligible (non-aligned) economic activities | Proportion of Taxonomy-aligned economic activities | Proportion of Taxonomy non-eligible economic activities |
|---|---|---|---|---|
| Turnover | 132,871 | 0.5% | 0.0% | 99.5% |
| CapEx | 5,673 | 39.8% | 0.0% | 60.2% |
| OpEx | 32,114 | 9.0% | 0.0% | 91.0% |

The Group also provides comparatives for the Financial Year ended 31 January 2023.

**Proportion of Taxonomy-eligible and Taxonomy-aligned economic activities in total turnover, CapEx and OpEx in FY 2023**

| FY 2023 | Total (€'000) | Proportion of Taxonomy-eligible (non-aligned) economic activities | Proportion of Taxonomy-aligned economic activities | Proportion of Taxonomy non-eligible economic activities |
|---|---|---|---|---|
| Turnover | 118,238 | 0.2% | 0.0% | 99.8% |
| CapEx | 13,065 | 46.6% | 0.0% | 53.4% |
| OpEx | 27,526 | 9.2% | 0.0% | 90.8% |

## DEFINITIONS

'Taxonomy-eligible economic activity' means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation (that is, either the Climate Delegated Act or the Environmental Delegated Act), irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.

The Climate Delegated Act is structured such that Annex I contains a list of activities and the respective technical screening criteria in relation to the Climate Change Mitigation objective, whereas Annex II relates to the Climate Change Adaptation objective, with potentially different activities being considered in the different annexes.

The Environmental Delegated Act similarly comprises respective lists of activities and technical screening criteria in relation to the non-climate environmental objectives therein.

'Taxonomy-aligned economic activity' refers to a Taxonomy-eligible activity which complies with the technical screening criteria as defined in the Climate Delegated Act or Environmental Delegated Act and it is carried out in compliance with the minimum safeguards regarding human and consumer rights, anti-corruption and bribery, taxation, and fair competition. To meet the technical screening criteria, an economic activity must contribute substantially to one or more environmental objectives while 'doing no significant harm' to any of the other environmental objectives. Furthermore, the activity must be performed in a manner that meets minimum safeguards in relation to human rights, bribery & corruption, fair competition and taxation.

'Taxonomy non-eligible economic activity' means any economic activity that is not described in the delegated acts supplementing the Taxonomy Regulation.

## TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

The Group has examined all economic activities carried out to see which of these are Taxonomy-eligible in accordance with Annexes I and II to the Climate Delegated Act and Annexes I to IV to the Environmental Delegated Act. The table below indicates the activities performed by the Group which have been identified as Taxonomy-eligible and the environmental objective with which the activity may be associated. Information on the extent to which the economic activities are also Taxonomy-aligned is provided in the KPI templates further below.

Taxonomy-eligible activities were identified by extracting the total turnover, CapEx and OpEx required to be captured in the denominators of the respective KPIs and assessing the NACE code of the activities to which the amounts relate. The Group then assessed which of the identified NACE codes relate to activities included within the annexes to the Climate or Environmental Delegated Act. For the identified eligible activities, the Group then began the process to assess them against the technical screening criteria.

Through the activities highlighted in the following table, the Group generates turnover, and generally incurs both CapEx and OpEx for these activities.

**Taxonomy-eligible economic activities**

| Economic activity | Description | Turnover (%)* | CapEx (%)* | OpEx (%)* | Environmental objective(s) | NACE code |
|---|---|---|---|---|---|---|
| 7.7 Acquisition and Ownership of buildings | The generation of rental income through investment property held by the Group | 0.5% | 13.8% | 0.0% | CCM, CCA | L68 |

*% of the total turnover, CapEx and OpEx included in the denominator of the respective KPI

Economic activities classified under activity 7.7 'Acquisition and ownership of buildings' relate to the generation of rental income through property owned by the Group leased to third parties.

The CapEx classified as Taxonomy-eligible entails capital investments which relate to necessary components to execute the respective turnover-generating economic activity. In the current year, this relates purely to the acquisition and development of buildings (under activity 7.7).

**Other turnover generating activities performed by the Group classified as Taxonomy non-eligible**

The Group's taxonomy non-eligible economic activities relate to the brewing, production, importation and sale of branded beers and beverages, importation, wholesale of food and operation of franchised food establishments as well as the management of the restored old brewery which includes, independent food and beverage retail outlets and hosting of a visitors' centre.

**Taxonomy eligibility of investment activities not directly related to turnover-generating activities**

Further to the activities from which the Group generates turnover, and generally incurs both CapEx and OpEx, the Group also engages in investment activities not directly related to its turnover-generating activities as highlighted below.

**Individually Taxonomy-eligible CapEx/OpEx and the corresponding economic activities**

| Economic activity | Description of the taxonomy-eligible purchased output or individual measure | CapEx (%)* | OpEx (%)* | Environmental objective(s) | NACE code |
|---|---|---|---|---|---|
| 6.6 Freight transport services by road | Purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E or its successor, for freight transport services by road. | 4.7% | 2.5% | CCM, CCA | H49 |
| 7.1 Construction of new building | Construction of new offices and warehousing facilities | 12.4% | 0.0% | CCM, CCA | F41 |
| 7.2 Renovation of existing buildings | All major renovation measures of existing buildings | 0.4% | 6.5% | CCM, CCA | F43 |
| 7.6 Installation, maintenance and repair of renewable energy technologies | Installation, maintenance and repair of renewable energy technologies, on site | 8.3% | 0.0% | CCM, CCA | F43 |
| 7.7 Acquisition and ownership of buildings | Acquisition of new leased premises | 0.0% | 0.0% | CCM, CCA | L68 |

*% of the total CapEx and OpEx included in the denominator of the respective KPI

The largest change in the Group's CapEx from eligible activities, vis-à-vis the prior period owes to activities 7.1, which increased from 0.0% to 12.4% of CapEx. Such an increase in Taxonomy-eligibility is largely driven by the commencement of a new project for the construction of new offices and warehousing facilities.

## TAXONOMY ALIGNMENT

Determining whether an activity meets the requirements to be classified as Taxonomy-aligned requires considerable detailed information about the activity in order to properly assess it against the established technical screening criteria.

The Group is currently still in the process of gathering the necessary information in order to conclude that activities may be considered as Taxonomy-aligned and verifying its accuracy. As a result of the ongoing process, the Group has not been able to substantiate the alignment of any of its activities in the current year.

As further progress is made in the Group's internal assessment process, certain activities may be identified as Taxonomy-aligned without the need for further capital investments.

Further to meeting technical screening criteria, economic activities must meet minimum safeguards relating to human and consumer rights, anti-corruption and bribery, taxation, and fair competition in order to be Taxonomy-aligned. Such assessment must be carried out in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as outlined in the Platform on Sustainable Finance's Report on Minimum Safeguards published in October 2022. The Group is currently still in the process of establishing a framework to comply with minimum safeguards.

However, as a result of no activities being considered as Taxonomy-aligned in the current year, disclosure requirements surrounding the assessment of Taxonomy-alignment in accordance with section 1.2.2.1 of the Disclosures Delegated Act are not deemed applicable to the Group.

## OUR KPIs AND ACCOUNTING POLICIES

The key performance indicators ('KPIs') comprise the turnover KPI, the CapEx KPI and the OpEx KPI. In presenting the Taxonomy KPIs, the Group uses the templates provided in Annex II to the Disclosures Delegated Act. The Group also presents comparative figures on Taxonomy-alignment.

Moreover, since the Group is not performing any of the activities related to fossil gas and nuclear energy (activities 4.26-4.31), the Group only publishes Template 1 of Annex XII of the Disclosures Delegated Act as regards activities in certain energy sectors.

In section A.1 'Environmentally sustainable activities (Taxonomy-aligned)' of respective Turnover, CapEx, and OpEx templates, columns 5 and 6 are marked as 'N' given that the Group does not have any Taxonomy-aligned balances, whilst remaining columns 7-17 are marked as '-' since, under Substantial Contribution criteria, Taxonomy-alignment reporting is not required for non-climate environmental objectives and under DNSH criteria and Minimum Safeguards, there is no current Taxonomy-alignment assessment to be reported.

### TABLE 1 - TURNOVER

Proportion of Turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering Financial Year 2024

**Proportion of Turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering Financial Year 2024**

| Financial Year 2024 | 2024 | | | Substantial Contribution Criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activities (1) | Code (2) | Turnover (3) | Proportion of Turnover 2024 (4) | Climate Change Mitigation (5) | Climate Change Adaptation (6) | Water (7) | Pollution (8) | Circular Economy (9) | Biodiversity (10) | Climate Change Mitigation (11) | Climate Change Adaptation (12) | Water (13) | Pollution (14) | Circular Economy (15) | Biodiversity (16) | Minimum Safeguards (17) | Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Turnover 2023 (18) | Category enabling activity (19) | Category transitional activity (20) |
| | | € 000 | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **A.1. Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | | |
| **Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | | |
| **Of which Enabling** | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | E | |
| **Of which Transitional** | | 0 | 0.0% | N | | | | | | - | - | - | - | - | - | - | 0.0% | | T |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| Acquisition and Ownership of buildings | **CCM 7.7** / CCA 7.7 | 633 | 0.5% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0.2% | | |
| **Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 633 | 0.5% | | | | | | | | | | | | | | 0.2% | | |
| **A. Turnover of Taxonomy-eligible activities (A.1+A.2)** | | 633 | 0.5% | | | | | | | | | | | | | | 0.2% | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **Turnover of Taxonomy-non-eligible activities** | | 132,238 | 99.5% | | | | | | | | | | | | | | | | |
| **TOTAL** | | **132,871** | **100.0%** | | | | | | | | | | | | | | | | |

| | Proportion of turnover/Total turnover | |
|---|---|---|
| | Taxonomy-aligned per objective | Taxonomy-eligible per objective |
| CCM | 0.0% | 0.5% |
| CCA | 0.0% | 0.3% |
| WTR | - | 0.0% |
| CE | - | 0.0% |
| PPC | - | 0.0% |
| BIO | - | 0.0% |

## TABLE 2 - CAPEX

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering Financial Year 2024

**Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering Financial Year 2024**

| Financial Year 2024 | | 2024 | | Substantial Contribution Criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Economic Activities (1)** | **Code (2)** | **CapEx (3)** | **Proportion of CapEx 2024 (4)** | **Climate Change Mitigation (5)** | **Climate Change Adaptation (6)** | **Water (7)** | **Pollution (8)** | **Circular Economy (9)** | **Biodiversity (10)** | **Climate Change Mitigation (11)** | **Climate Change Adaptation (12)** | **Water (13)** | **Pollution (14)** | **Circular Economy (15)** | **Biodiversity (16)** | **Minimum Safeguards (17)** | **Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx 2023 (18)** | **Category enabling activity (19)** | **Category transitional activity (20)** |
| | | € 000 | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **A.1. Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | | |
| **CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | | |
| **Of which Enabling** | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | E | |
| **Of which Transitional** | | 0 | 0.0% | N | | | | | | - | - | - | - | - | - | - | 0.0% | | T |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| Freight transport services by road | **CCM 6.6** / CCA 6.6 | 267 | 4.7% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 1.5% | | |
| Construction of new buildings | **CCM 7.1** / CCA 7.1 | 703 | 12.4% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0.0% | | |
| Renovation of existing buildings | **CCM 7.2** / CCA 7.2 | 24 | 0.4% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 5.9% | | |
| Installation, maintenance and repair of renewable energy technologies | **CCM 7.6** / CCA 7.6 | 469 | 8.3% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0.0% | | |
| Acquisition and ownership of buildings | **CCM 7.7** / CCA 7.7 | 798 | 14.1% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 39.2% | | |
| **CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 2,261 | 39.8% | | | | | | | | | | | | | | 46.6% | | |
| **A. CapEx of Taxonomy-eligible activities (A.1+A.2)** | | 2,261 | 39.8% | | | | | | | | | | | | | | 46.6% | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **CapEx of Taxonomy-non-eligible activities** | | 3,412 | 60.2% | | | | | | | | | | | | | | | | |
| **TOTAL** | | **5,673** | **100.0%** | | | | | | | | | | | | | | | | |

| | Proportion of CapEx/Total CapEx | |
|---|---|---|
| | Taxonomy-aligned per objective | Taxonomy-eligible per objective |
| CCM | 0.0% | 39.8% |
| CCA | 0.0% | 39.8% |
| WTR | - | 0.0% |
| CE | - | 0.0% |
| PPC | - | 0.0% |
| BIO | - | 0.0% |

## TABLE 3 - OPEX

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering Financial Year 2024

**Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering Financial Year 2024**

| Financial Year 2024 | | 2024 | | Substantial Contribution Criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Economic Activities (1)** | **Code (2)** | **OpEx (3)** | **Proportion of OpEx 2024 (4)** | **Climate Change Mitigation (5)** | **Climate Change Adaptation (6)** | **Water (7)** | **Pollution (8)** | **Circular Economy (9)** | **Biodiversity (10)** | **Climate Change Mitigation (11)** | **Climate Change Adaptation (12)** | **Water (13)** | **Pollution (14)** | **Circular Economy (15)** | **Biodiversity (16)** | **Minimum Safeguards (17)** | **Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx 2023 (18)** | **Category enabling activity (19)** | **Category transitional activity (20)** |
| | | € 000 | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **A.1. Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | | |
| **OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | | |
| **Of which Enabling** | | 0 | 0.0% | N | N | - | - | - | - | - | - | - | - | - | - | - | 0.0% | E | |
| **Of which Transitional** | | 0 | 0.0% | N | | | | | | - | - | - | - | - | - | - | 0.0% | | T |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| Freight transport services by road | **CCM 6.6** / CCA 6.6 | 817 | 2.5% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 3.6% | | |
| Renovation of existing buildings | **CCM 7.2** / CCA 7.2 | 2,079 | 6.5% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 5.6% | | |
| Installation, maintenance and repair of renewable energy technologies | **CCM 7.6** / CCA 7.6 | 0 | 0.0% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0.0% | | |
| Acquisition and ownership of buildings | **CCM 7.7** / CCA 7.7 | 0 | 0.0% | EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0.0% | | |
| **OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 2,896 | 9.0% | | | | | | | | | | | | | | 9.2% | | |
| **A. OpEx of Taxonomy-eligible activities (A.1+A.2)** | | 2,896 | 9.0% | | | | | | | | | | | | | | 9.2% | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-non-eligible activities** | | 29,217 | 91.0% | | | | | | | | | | | | | | | | |
| **TOTAL** | | **32,114** | **100.0%** | | | | | | | | | | | | | | | | |

| | Proportion of OpEx/Total OpEx | |
|---|---|---|
| | Taxonomy-aligned per objective | Taxonomy-eligible per objective |
| CCM | 0.0% | 9.0% |
| CCA | 0.0% | 9.0% |
| WTR | - | 0.0% |
| CE | - | 0.0% |
| PPC | - | 0.0% |
| BIO | - | 0.0% |

| Row | Nuclear energy related activities | |
|---|---|---|
| 1 | The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle. | NO |
| 2 | The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. | NO |
| 3 | The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades. | NO |
| | **Fossil gas related activities** | |
| 4 | The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. | NO |
| 5 | The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. | NO |
| 6 | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels | NO |

The specification of the KPIs is determined in accordance with Annex I to the Disclosures Delegated Act. The Group adopts the methodology to determine Taxonomy-alignment in accordance with the legal requirements and describes its policies in this regard as follows:

# TURNOVER KPI

## DEFINITION

The proportion of Taxonomy-aligned economic activities of the total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-aligned economic activities (numerator) divided by the net turnover (denominator), in each case for the Financial Year from 1 February 2023 to 31 January 2024. Given that the Group has not identified any Taxonomy-aligned economic activities, the current proportion of alignment is 0%.

The denominator of the turnover KPI is based on the consolidated net turnover in accordance with paragraph 82(a) of IAS 1. For further details on our accounting policies regarding the Group's consolidated net turnover, refer to disclosure Note 1.19 'Revenue recognition' in the Group's consolidated financial statements included in this Annual Report.

## RECONCILIATION

The Group's consolidated net turnover captured in the denominator of the KPI of €132.9 million reconciles with the amount disclosed in the 'Revenue' financial statement line item included in the 'Income Statements' in the consolidated financial statements included in this Annual Report. Additionally, the amount also reconciles to Note 4 'Segment information' summarised below.

| ***Revenue reconciliation*** | ***Amount (€'000)*** |
|---|---|
| Turnover as per KPI denominator | 132,871 |
| Turnover as per the consolidated financial statements relating to: | |
| Brewing production, importation & sale of beers & branded beverages | 95,755 |
| Importation, wholesale of food & operation of franchised food establishments | 37,116 |
| **Difference** | **-** |

From the amounts disclosed above, the amount of €633,390 allocated to Brewing production & sale of branded beers & beverages is disclosed as Taxonomy-eligible under activity 7.7 'Acquisition and ownership of buildings' in the Turnover KPI.

All other revenue allocated towards the importation, wholesale of food & operation of franchised food establishments, amounting to €37.1 million is all disclosed as Taxonomy-non-eligible in the Turnover KPI.

# CAPEX KPI

## DEFINITION

The CapEx KPI is defined as Taxonomy-aligned CapEx (numerator) divided by the Group's total CapEx (denominator).

Total CapEx consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation, and any remeasurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes acquisitions of tangible fixed assets (IAS 16), intangible fixed assets (IAS 38) and right-of-use assets (IFRS 16). Acquisitions of investment properties (IAS 40) and additions as a result of business combinations would also be captured however, the Group had no such activities in the current year. For further details on our accounting policies regarding the Group's CapEx, refer to disclosure Note 1.3 'Property, plant and equipment', Note 1.4 'Intangible assets' and Note 1.20 'Leases', in the Group's consolidated financial statements included within this Annual Report.

**The Disclosures Delegated Act established three categories under which to classify CapEx:**

a) CapEx related to assets or processes that are associated with Taxonomy-aligned economic activities ("category a"). In this case, the Group considers that assets and processes are associated with Taxonomy-aligned economic activities where they are essential components necessary to execute an economic activity.

   The Group follows the generation of external revenues as a guiding principle to identify economic activities that are associated with CapEx under this category (a).

   Eligible CapEx under this category has been disclosed in the table named 'Taxonomy-eligible economic activity' in the 'Taxonomy-eligible and Taxonomy-aligned economic activities' section above.

b) CapEx that is part of a plan to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-aligned economic activity ("category b").

   The Group has currently not developed such a plan, and therefore, no CapEx is considered to be eligible under this category.

c) CapEx related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling certain target activities to become low-carbon or to lead to GHG reductions ("category c").

   The Group distinguishes between the purchase of output and individual measures as follows:

   - 'Purchase of output' relates to when the Group just acquires the product or service that is mentioned in the activity description.

   - 'Individual measure' refers to when the Group acquires a product through an activity that is regularly performed by the supplier, but where the Group controls the content and design of the product in detail.

   Eligible CapEx under this category has been disclosed in the table named 'Individually Taxonomy-eligible CapEx/OpEx and the corresponding economic activities' in the 'Taxonomy-eligibility of investment activities not directly related to turnover generating activities' section above. The full amount of CapEx considered under this category relates purely to 'purchase of output'.

   Purchases of output qualify as Taxonomy-aligned CapEx in cases where it can be verified that the respective supplier performed a Taxonomy-aligned activity to produce the output that the Group acquired. Since Taxonomy-alignment also includes DNSH criteria and minimum safeguards, the Group is not able to assess the Taxonomy-alignment on its own. For the purchased output in 2023/4, we were not able to obtain any conclusive confirmation of Taxonomy-alignment.

   In order to avoid double counting in the CapEx KPI, the Group ensured that CapEx captured as part of "category a", which relates to turnover-generating activities, was not also included with the activities identified within "category c", particularly in the case of Taxonomy-eligible CapEx relating to the acquisition of a property which is partly leased out to third parties and partly utilised by the Group in the performance of its own operations.

### Reconciliation

The Group's total CapEx captured in the denominator of the KPI can be reconciled to the consolidated financial statements of the Group included in this Annual Report, by reference to the respective disclosures capturing the additions for property, plant and equipment, intangible assets, and right-of-use assets.

| ***CapEx Reconciliation*** | ***Amount (€'000)*** |
|---|---:|
| CapEx as per KPI denominator | 5,673 |
| Additions as per the consolidated financial statements relating to: | |
| Property, plant and equipment | 5,673 |
| Difference | – |

The following is a detailed breakdown of the property, plant and equipment, investment property, intangible assets, and right of use assets amongst the different activities disclosed in the CapEx KPI.

| ***Detailed breakdown of property, plant and equipment additions*** | ***Amount (€'000)*** |
|---|---:|
| PPE additions as per the consolidated financial statements | 5,673 |
| Allocation of PPE in the CapEx KPI | |
| 6.6 Freight transport services by road | 267 |
| 7.1 Construction of new building | 703 |
| 7.2 Renovation of existing buildings | 24 |
| 7.6 Installation, maintenance and repair of renewable energy technologies | 469 |
| 7.7 Acquisition and ownership of buildings | 798 |
| Taxonomy-non-eligible | 3,412 |
| Difference | – |

# OPEX KPI

## DEFINITION

The OpEx KPI is defined as Taxonomy-aligned OpEx (numerator) divided by the Group's total OpEx (denominator).

Total OpEx consists of direct non-capitalised costs that relate to all forms of maintenance and repair. This includes staff costs, costs for services and material costs for daily servicing as well as for regular and unplanned maintenance and repair measures. Direct non-capitalised costs in relation to research and development, building renovation measures and short-term leases would also be captured, however, no such costs were incurred in the current year.

The OpEx considered by the Group does not include expenses relating to the day-to-day operation of PPE, such as raw materials, cost of employees operating any equipment and electricity or fluids that are necessary to operate the PPE. Amortisation and depreciation are also not included in the OpEx KPI.

In addition to the OpEx items captured in the current denominator of the OpEx KPI, the Group acknowledges that certain additional staff costs should also be captured, given that certain employee responsibilities relate to the servicing of PPE. Such costs have been excluded in the current year given that the Group is currently unable to allocate staff costs towards maintenance and repair activities. Once the Group develops an approach for allocating such staff costs, these will be captured as OpEx and as part of the KPI accordingly.

The Group also excludes direct costs for training and other human resources adaptation needs from the denominator and the numerator. This is because Annex I to the Disclosures Delegated Act lists these costs only for the numerator, which does not allow a mathematically meaningful calculation of the OpEx KPI.

Given that the Group has not identified any CapEx as being Taxonomy-aligned, naturally, no OpEx is able to be considered as Taxonomy-aligned.

### Reconciliation

The Group's total OpEx captured in the denominator of the KPI cannot be directly reconciled to the consolidated financial statements of the Group included in this Annual Report, since the notes to the financial statements comprise amounts which relate to both Taxonomy-eligible and Taxonomy non-eligible activities. Therefore, the portion of Taxonomy-eligible OpEx within each item in Note 22 to the financial statements is identified below.

| ***OpEx Reconciliation*** | ***Full amount as per Note 22 of consolidated financial statements (€'000)*** | ***Amount in scope of OpEx KPI denominator as per Note 22 of consolidated financial statements (€'000)*** |
|---|---|---|
| OpEx as per EU Taxonomy KPI denominator | | **32,114** |
| OpEx as per consolidated financial statements of which: | **114,882** | **32,114** |
| Raw materials, imported goods and consumables | 61,509 | 32,114 |
| Depreciation | 10,222 | – |
| Employee benefit expense | 26,698 | – |
| Directors' emoluments | 811 | – |
| Other expenses | 15,642 | – |

# 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 interest 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 and the Statement by the Directors on Non-Financial Information, SFC believes that it has, save for 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.

All Board Members are accountable for their performance to shareholders and other stakeholders, attend regular Board Meetings and allocate sufficient time to perform their duties albeit in the best interest of SFC. The Board ensures integrity of transparency, operational controls, and compliance with the relevant laws.

The Board delegates specific responsibilities towards a number of committees, notably the Remuneration and Corporate Governance Committee, the Related Party Transactions Committee, and the Audit and Risk Committee. Further detail in relation to the committees and the responsibilities of the Board is found in Principles 4, 5 and 8 of this statement.

Corporate Governance is considered as a constitutive element intertwined in all discussions and decisions undertaken at the level of the Board and its Committees. This element had been fundamental in creating the corporate culture of the Company, setting the right tone at the top.

### 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), headed by the Chief Executive Officer, is to ensure effective overall management and control of Group business and proper coordination 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 the strategy of the Group 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 sustainable, economical and efficient use of all resources and the highest possible profitability in the interest of the shareholders and all other stakeholders, whilst respecting environmental and social factors.

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

The subsidiaries of SFC have their own management structure, accounting systems and internal controls, and are governed by their Board, whose members are appointed by the Company and include members of the SMB.

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 Remuneration 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 Non–Executive Directors.

**Executive Directors**
Mr Louis A. Farrugia F.C.A. – *Chairman*
Mr Michael Farrugia M.A. (Edin.), MBA (Warwick) – *Executive Director Deputy Chief Executive (Beverage Business)*

**Non-Executive Directors**
Mr Marcantonio Stagno d'Alcontres – *Vice-Chairman*
Marquis Marcus John Scicluna Marshall – *up to 9th November 2023*
Mr Matthew Marshall – *appointed from 9th November 2023*
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 Justine Pergola – *up to 9th November 2023*
Mr Neil Psaila – *appointed from 9th November 2023*

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. In such a case 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 with 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 frequent matters on 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 different members from the boards of Trident Estates plc and the Company respectively;

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: 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 | **13** |
| Mr Marcantonio Stagno d'Alcontres | **13** |
| Marquis Marcus John Scicluna Marshall *(until 9th November 2023)* | **10** (out of 11) |
| Mr Matthew Marshall *as from 9th November 2023* | **2** (out of 2) |
| Dr Max Ganado | **10** |
| Mr Roderick Chalmers | **13** |
| Ms Marina Hogg | **13** |
| Mr Michael Farrugia | **13** |
| Baroness Justine Pergola *(until 9th November 2023)* *(1 attended by an alternate director Mr Neil Psaila.)* | **9** (out of 11) |
| Mr Neil Psaila *as from 9th November 2023* | **2** (out of 2) |

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 Group Internal Auditor.

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 Group Chief Executive.

## 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

The evaluation of Board Performance is a responsibility of the **Remuneration and Corporate Governance Committee** which is chaired by a Non–Executive Director.

Periodic evaluations of Board Performance are conducted 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 and effectiveness. The latest review has not resulted in any material changes in the Company's internal organisation or in its governance structures. Non–Executive Directors are responsible for the evaluation of the Chairman of the Board.

## PRINCIPLE 8: 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 Remuneration and Corporate Governance Committee** (RCGC) is chaired by a Non-Executive Director and is entrusted with leading the process for evaluating the nomination of new Directors and making recommendations to the Board. The Committee is also responsible for monitoring and reviewing best corporate governance practices and reporting thereon to the Board, including on the annual review of the Evaluation of Board Performance. From time-to-time important matters relating to corporate governance are elevated to and dealt with at full meetings of the Board at which all Directors participate. Furthermore, the RCGC is responsible for drawing up and proposing the Remuneration Policy to the Company's Board of Directors for its consideration and approval. The Committee reviews and recommends all remuneration packages (both fixed and discretionary) relating to Executive Directors and Non-Executive Directors. The recommendations of the RCGC in this regard are submitted to the full Board for final approval. Individual Directors recuse themselves from any participation as appropriate.

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.

In view that the most frequent matters on which a related party transaction may arise would be in relation to a transaction with Trident Estates plc, and that the Board of Directors of SFC and that of Trident Estates plc have a number of common Directors, the Board of Directors and the respective Related Party Transaction Committees in the first instance delegate the day-to-day negotiations between the two companies to the respective CEOs. The CEOs are fully independent, act in the best interest of their respective company and have no conflict of interest to impair their judgement. The CEO's then report to the respective Related Party Transaction Committees.

The primary objective of the **Audit and Risk Committee (ARC)** 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 *(until 9th November 2023)*
• Mr Neil Psaila *(from 9th November 2023)*

All of the Directors on the ARC are 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.

Mr Roderick Chalmers and Mr Neil Psaila are professionally qualified accountants with competence in matters relating to accounting and auditing. The ARC 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 ARC also reviews and approves the internal audit plan prior to the commencement of every financial year. The Committee oversees the conduct of the internal and external audits and acts to facilitate communication between the Board, management, the external auditors and the Group internal auditor.

The ARC held seven meetings during the Financial Year ended 31st January 2024. These meetings are mainly to discuss formal reports remitted by the Group internal auditor and to consider the external auditors' audit plan, the annual and six-monthly financial results, and the Annual Report. Periodic risk related, and other reviews are also considered by the Committee.

The Group internal auditor who also acts as secretary to the ARC, is present at Committee meetings. The external auditors are invited to attend specific meetings of the Committee and are also entitled to convene a meeting of the Committee if they consider that it is necessary. The Group Chief Executive and the Chief Financial 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 ARC Chairman and the Group internal auditor meet informally on a regular basis to discuss ongoing issues.

The Group internal auditor has an independent status within the Group. In fact, the Group internal auditor reports directly to the ARC and holds 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 ARC 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 ARC Chairman.

## 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 33 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 several 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. 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 and Corporate Governance 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 best interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest. Should any such conflicts of interest be perceived to arise:

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

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

On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Capital Markets Rules and the Market Abuse Regulation

The Directors' interests in the share capital of the Company as at 31January 2024 and as at 30 April 2024 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;
- Cooperating 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 opportunities 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 to 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 standards 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 of this report. However, in recognition of evolving standards of good corporate governance, the Remuneration and Corporate Governance Committee holds 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 functions through a main board of directors concurrent with subsidiary boards having clear reporting lines and delegated 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 recognised 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 external 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 conducts 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 ensures 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. An Annual General Meeting of shareholders is convened within seven months of the end of the financial year, 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. The Remuneration Report is 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 world wide 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, public meetings are held to which institutional investors, financial intermediaries and investment brokers are invited to attend. Press releases are also issued periodically concerning 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 29 May 2024.***

# REMUNERATION REPORT

## 1. Terms of Reference and Membership

The Remuneration and Corporate Governance Committee (RCGC) is composed of three non-executive Directors. During the financial year ended 31 January 2024 (FY 2024), the RCGC was composed of Marcantonio Stagno d'Alcontres (Chairman), Roderick Chalmers and Marcus John Scicluna Marshall. Matthew Marshall replaced Marcus John Scicluna Marshall on the 9th of November 2023. The Committee met 4 times during the year. Marcantonio Stagno d'Alcontres, Roderick Chalmers and Matthew Marshall attended all respective meetings whilst Marcus John Scicluna Marshall missed one meeting.

In terms of the Remuneration Policy of the Group, the RCGC is responsible for reviewing and approving all remuneration packages of Executive Directors and Non-Executive Directors. 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. The RCGC 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.

The Remuneration Policy shall be presented for approval at the next Annual General Meeting.

As provided in the Remuneration Policy, the recommendations of the RCGC are submitted to the full Board for consideration and final approval. Individual Directors recuse themselves from any participation in Board discussions concerning their own remuneration as appropriate.

## 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 judgment.

Other provisions that form part of the 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.

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) fixed term 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 50+ years of service to the Group, the Board has (on the recommendation of the RCGC) 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 more 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.

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.

## 5. Remuneration – Directors and Group Chief Executive

The following tables provide a summary of the remuneration for the years ended 31 January 2024, 2023, 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 2024** | | | | | | | | | |
| Louis A Farrugia | Executive Chairman | | 24,000 | | 72,611 | 75,000 | 45,000 | * * | 216,611 |
| Norman Aquilina | Group Chief Executive | | | | 180,056 | 145,000 | 8,250 | * * | 333,306 |
| Michael Farrugia | Deputy Chief Executive - Beverage Business | * | 29,667 | | 101,083 | 56,288 | 25,000 | * * | 212,038 |
| Marcantonio Stagno d'Alcontres | Vice-Chairman – Non-Executive | | 27,000 | | | 15,000 | 12,500 | | 54,500 |
| Roderick Chalmers | Non-Executive | | 31,333 | 60,000 | | | 6,000 | | 97,333 |
| Max Ganado | Non-Executive | | 26,917 | | | 15,000 | | * * | 41,917 |
| Marina Hogg | Non-Executive | | 26,667 | | | 15,000 | 6,000 | | 47,667 |
| Marcus John Scicluna Marshall *– up to 9 November 2023* | Non-Executive | * | 24,823 | | | 15,000 | 5,136 | | 44,959 |
| Justine Pergola *– up to 9 November 2023* | Non-Executive | | 21,399 | | | 15,000 | | * * | 36,399 |
| Matthew Marshall *– from 9 November 2023* | Non-Executive | * | 9,533 | | | | 848 | | 10,381 |
| Neil Psaila *– from 9 November 2023* | Non-Executive | * | 11,674 | | | | 848 | | 12,522 |

*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 €322,344 (approved limit = €750,000.)

| | | | Board & Committee Fees | Other | Fixed Pay | Variable Pay | Benefits & Allowances | | Aggregate |
|---|---|---|---|---|---|---|---|---|---|
| | | | € | € | € | € | € | | € |
| **Directors' Emoluments - Year ended 31 January 2023** | | | | | | | | | |
| Louis A Farrugia | Executive Chairman | | 25,000 | | 72,083 | 60,000 | 45,000 | * * | 202,083 |
| Norman Aquilina | Group Chief Executive | | | | 165,555 | 133,000 | 11,000 | | 309,555 |
| Michael Farrugia | Deputy Chief Executive - Beverage Business | * | 30,583 | | 93,326 | 30,500 | 22,084 | * * | 176,493 |
| Marcantonio Stagno d'Alcontres | Vice-Chairman – Non-Executive | | 28,500 | | | 10,000 | 12,500 | | 51,000 |
| Roderick Chalmers | Non-Executive | | 31,500 | 40,000 | | | 6,000 | | 77,500 |
| Max Ganado | Non-Executive | | 29,000 | | | 10,000 | | * * | 39,000 |
| Marina Hogg | Non-Executive | | 27,500 | | | 10,000 | 6,000 | | 43,500 |
| Marcus John Scicluna Marshall | Non-Executive | * | 32,000 | | | 10,000 | 6,000 | | 48,000 |
| Justine Pergola | Non-Executive | | 23,633 | | | | | * * | 23,633 |

*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 €318,216 (approved limit = €750,000.)

| | | | 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 – Operation & 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 (deceased 25.11.2021) | | 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 three most recent financial years were as follows:

| | FY2024 change over FY 2023 | FY2023 change over FY 2022 | FY2022 change over FY 2021 |
|---|---|---|---|
| Directors and Group Chief Executive | 14 % | 0 % | 14 % |
| Average Employee Remuneration – Company | 7 % | 10 % | 10 % |
| Performance of the Company – EBITDA | -2 % | 22 % | 37 % |

## 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 their 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 Head of HR reports and makes recommendations periodically to the Board and the RCGC on the remuneration packages, including bonus arrangements, for achieving pre–determined targets.

The RCGC is required to evaluate, recommend and report on any proposals made by the Group Head of HR 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 RCGC 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:

| | Fixed Pay | Variable Pay | Benefits & Allowances | Aggregate |
|---|---|---|---|---|
| | € | € | € | € |
| **Senior Management Remuneration – year to 31 January 2024** | | | | |
| Senior Management Remuneration | **1,044,751** | **363,097** | **48,937** | **1,456,785** |
| (a) The above table includes the remuneration and related benefits awarded to the members of the Group Senior Management Board (SMB). | | | | |
| **Senior Management Remuneration – year to 31 January 2023** | | | | |
| Senior Management Remuneration | 834,327 | 308,077 | 110,515 | 1,252,919 |
| The above table includes the remuneration and related benefits awarded to the members of the Group Senior Management Board (SMB). | | | | |
| **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). | | | | |
| **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). | | | | |

## 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.

# STATEMENTS OF FINANCIAL POSITION

## ASSETS

| | | As at 31 January | | | |
|---|---|---|---|---|---|
| | | Group | | Company | |
| | | **2024** | 2023 | **2024** | 2023 |
| | Notes | **€'000** | €'000 | **€'000** | €'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | **127,342** | 130,192 | **117,296** | 120,334 |
| Right-of-use assets | 6 | **5,313** | 8,626 | **182** | 184 |
| Intangible assets | 7 | **2,153** | 2,323 | **1,590** | 1,660 |
| Investments in subsidiaries | 8 | **–** | – | **11,416** | 9,702 |
| Deferred tax assets | 19 | **9,910** | 8,938 | **10,510** | 9,754 |
| Trade and other receivables | 10 | **1,813** | 2,250 | **1,665** | 1,902 |
| Total non-current assets | | **146,531** | 152,329 | **142,659** | 143,536 |
| | | | | | |
| **Current assets** | | | | | |
| Inventories | 9 | **24,937** | 23,856 | **12,496** | 12,267 |
| Trade and other receivables | 10 | **32,178** | 27,835 | **23,801** | 21,344 |
| Cash and cash equivalents | 11 | **8,665** | 9,966 | **2,833** | 3,259 |
| Total current assets | | **65,780** | 61,657 | **39,130** | 36,870 |
| **Total assets** | | **212,311** | 213,986 | **181,789** | 180,406 |

## EQUITY AND LIABILITIES

| | | As at 31 January | | | |
|---|---|---|---|---|---|
| | | Group | | Company | |
| | | **2024** | 2023 | **2024** | 2023 |
| | Notes | **€'000** | €'000 | **€'000** | €'000 |
| **Capital and reserves attributable to owners of the Company** | | | | | |
| Share capital | 12 | **10,800** | 10,800 | **10,800** | 10,800 |
| Revaluation and other reserves | 14, 15 | **49,409** | 49,409 | **46,137** | 46,137 |
| Hedging reserve | 16 | **11** | 27 | **11** | 27 |
| Retained earnings | | **88,444** | 78,931 | **79,896** | 72,710 |
| **Total equity** | | **148,664** | 139,167 | **136,844** | 129,674 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 21 | **2,952** | 5,637 | **2,953** | 5,638 |
| Lease liabilities | 18 | **3,904** | 7,205 | **171** | 171 |
| Borrowings | 17 | **21,045** | 22,563 | **21,045** | 22,563 |
| Total non-current liabilities | | **27,901** | 35,405 | **24,169** | 28,372 |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | **30,503** | 34,243 | **19,201** | 20,786 |
| Lease liabilities | 18 | **1,415** | 1,498 | **15** | 15 |
| Current tax liabilities | | **1,833** | 1,529 | **10** | – |
| Borrowings | 17 | **1,995** | 2,135 | **1,550** | 1,550 |
| Provisions for other liabilities and charges | 20 | **–** | 9 | **–** | 9 |
| Total current liabilities | | **35,746** | 39,414 | **20,776** | 22,360 |
| **Total liabilities** | | **63,647** | 74,819 | **44,945** | 50,732 |
| **Total equity and liabilities** | | **212,311** | 213,986 | **181,789** | 180,406 |

The notes on pages 85 to 113 are an integral part of these consolidated financial statements.

***The financial statements on pages 78 to 113 were approved and authorised for issue by the Board of Directors on 29 May 2024. The financial statements were signed on behalf of the Company's Board of Directors 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 2024.***

# INCOME STATEMENTS

| | | Year ended 31 January | | | |
|---|---|---|---|---|---|
| | | Group | | Company | |
| | | **2024** | 2023 | **2024** | 2023 |
| | Notes | **€'000** | €'000 | **€'000** | €'000 |
| **Revenue** | 4 | **132,871** | 118,238 | **66,241** | 62,319 |
| Cost of sales | 22 | **(83,385)** | (74,029) | **(34,417)** | (32,242) |
| **Gross profit** | | **49,486** | 44,209 | **31,824** | 30,077 |
| Selling and distribution costs | 22 | **(13,972)** | (13,277) | **(9,768)** | (8,878) |
| Administrative expenses | 22 | **(17,525)** | (13,193) | **(8,819)** | (7,486) |
| Net impairment movement of financial assets | 8, 10 | **(617)** | (1,056) | **(158)** | (700) |
| **Operating profit** | | **17,372** | 16,683 | **13,079** | 13,013 |
| Finance income | 25 | **12** | – | **27** | 22 |
| Finance costs | 26 | **(1,316)** | (1,367) | **(890)** | (894) |
| **Profit before tax** | | **16,068** | 15,316 | **12,216** | 12,141 |
| Tax (expense)/income | 27 | **(795)** | 156 | **730** | 1,425 |
| **Profit for the year** | | **15,273** | 15,472 | **12,946** | 13,566 |
| **Basic and diluted earnings per share for the year attributable to shareholders** | 29 | **€ 0.4243** | € 0.4298 | | |

The notes on pages 85 to 113 are an integral part of these consolidated financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

| | | Year ended 31 January | | | |
|---|---|---|---|---|---|
| | | Group | | Company | |
| | | **2024** | 2023 | **2024** | 2023 |
| | Note | **€'000** | €'000 | **€'000** | €'000 |
| **Profit for the year** | | **15,273** | 15,472 | **12,946** | 13,566 |
| **Other comprehensive income:** | | | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | | | |
| Cash flow hedges, net of deferred tax | 16 | **(16)** | 127 | **(16)** | 127 |
| **Other comprehensive income for the year** | | **(16)** | 127 | **(16)** | 127 |
| **Total comprehensive income for the year attributable to equity shareholders** | | **15,257** | 15,599 | **12,930** | 13,693 |

The notes on pages 85 to 113 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 2022 | | 9,000 | (100) | 49,409 | 70,879 | 129,188 |
| **Comprehensive income** | | | | | | |
| Profit for the year | | – | – | – | 15,472 | 15,472 |
| Other comprehensive income: | | | | | | |
| Cash flow hedges, net of deferred tax | 16 | – | 127 | – | – | 127 |
| **Total other comprehensive income** | | – | 127 | – | – | 127 |
| **Total comprehensive income** | | – | 127 | – | 15,472 | 15,599 |
| **Transactions with owners** | | | | | | |
| Bonus issue | 12 | 1,800 | – | – | (1,800) | – |
| Dividends paid | 13 | – | – | – | (5,620) | (5,620) |
| **Total transactions with owners** | | 1,800 | – | – | (7,420) | (5,620) |
| **Balance at 31 January 2023** | | **10,800** | **27** | **49,409** | **78,931** | **139,167** |
| | | | | | | |
| Balance at 1 February 2023 | | 10,800 | 27 | 49,409 | 78,931 | 139,167 |
| **Comprehensive income** | | | | | | |
| Profit for the year | | – | – | – | 15,273 | 15,273 |
| Other comprehensive income: | | | | | | |
| Cash flow hedges, net of deferred tax | 16 | – | (16) | – | – | (16) |
| **Total other comprehensive income** | | – | (16) | – | – | (16) |
| **Total comprehensive income** | | – | (16) | – | 15,273 | 15,257 |
| **Transactions with owners** | | | | | | |
| Dividends paid | 13 | – | – | – | (5,760) | (5,760) |
| **Total transactions with owners** | | – | – | – | (5,760) | (5,760) |
| **Balance at 31 January 2024** | | **10,800** | **11** | **49,409** | **88,444** | **148,664** |

## COMPANY

| | Notes | Share capital €'000 | Hedging reserve €'000 | Revaluation and other reserves €'000 | Retained earnings €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| Balance at 1 February 2022 | | 9,000 | (100) | 46,137 | 66,564 | 121,601 |
| **Comprehensive income** | | | | | | |
| Profit for the year | | – | – | – | 13,566 | 13,566 |
| Other comprehensive income: | | | | | | |
| Cash flow hedges, net of deferred tax | 16 | – | 127 | – | – | 127 |
| **Total other comprehensive income** | | – | 127 | – | – | 127 |
| **Total comprehensive income** | | – | 127 | – | 13,566 | 13,693 |
| **Transactions with owners** | | | | | | |
| Bonus issue | 12 | 1,800 | – | – | (1,800) | – |
| Dividends paid | 13 | – | – | – | (5,620) | (5,620) |
| **Total transactions with owners** | | 1,800 | – | – | (7,420) | (5,620) |
| **Balance at 31 January 2023** | | **10,800** | **27** | **46,137** | **72,710** | **129,674** |
| | | | | | | |
| Balance at 1 February 2023 | | 10,800 | 27 | 46,137 | 72,710 | 129,674 |
| **Comprehensive income** | | | | | | |
| Profit for the year | | – | – | – | 12,946 | 12,946 |
| Other comprehensive income: | | | | | | |
| Cash flow hedges, net of deferred tax | 16 | – | (16) | – | – | (16) |
| **Total other comprehensive income** | | – | (16) | – | – | (16) |
| **Total comprehensive income** | | – | (16) | – | 12,946 | 12,930 |
| **Transactions with owners** | | | | | | |
| Dividends paid | 13 | – | – | – | (5,760) | (5,760) |
| **Total transactions with owners** | | – | – | – | (5,760) | (5,760) |
| **Balance at 31 January 2024** | | **10,800** | **11** | **46,137** | **79,896** | **136,844** |

The notes on pages 85 to 113 are an integral part of these consolidated financial statements.

# STATEMENTS OF CASH FLOWS

| | | Year ended 31 January | | | |
|---|---|---|---|---|---|
| | | Group | | Company | |
| | | **2024** | 2023 | **2024** | 2023 |
| | Notes | **€'000** | €'000 | **€'000** | €'000 |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 30 | **16,165** | 16,744 | **11,468** | 16,642 |
| Interest received | 25 | **12** | – | **27** | 22 |
| Interest paid on lease liabilities | 26 | **(318)** | (360) | **(7)** | (7) |
| Interest paid on borrowings | 26 | **(998)** | (1,000) | **(883)** | (887) |
| Income tax (paid)/received | | **(1,413)** | (1,584) | **(10)** | – |
| Net cash generated from operating activities | | **13,448** | 13,800 | **10,595** | 15,770 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 5 | **(5,673)** | (10,907) | **(3,718)** | (8,286) |
| Proceeds from disposal of property, plant and equipment | | **3** | 22 | **7** | 22 |
| Additions to intangibles | 7 | **–** | (77) | **–** | – |
| Net cash used in investing activities | | **(5,670)** | (10,962) | **(3,711)** | (8,264) |
| **Cash flows from financing activities** | | | | | |
| Payments of borrowings | | **(1,550)** | (1,550) | **(1,550)** | (1,550) |
| Principal payments of lease liabilities | | **(1,629)** | (1,654) | **–** | (154) |
| Dividends paid | 13 | **(5,760)** | (5,620) | **(5,760)** | (5,620) |
| Net cash used in financing activities | | **(8,939)** | (8,824) | **(7,310)** | (7,324) |
| **Net movement in cash and cash equivalents** | | **(1,161)** | (5,986) | **(426)** | 182 |
| **Cash and cash equivalents at beginning of year** | | **9,381** | 15,367 | **3,259** | 3,077 |
| **Cash and cash equivalents at end of year** | 11 | **8,220** | 9,381 | **2,833** | 3,259 |

The notes on pages 85 to 113 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Summary of material 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 (SFC) and its subsidiaries. SFC is a public Company incorporated in Malta with its registered address at The Brewery, Mdina Road, Zone 2, Central Business District, CBD 2010, Birkirkara, Malta.

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.

During the year ended 31 January 2024 there were no change in the name of the reporting entity or other means of identification.

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.

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 certain class of property, plant and equipment and derivative financial instruments which are measured at revalued amount or fair value. 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 2024***

In 2024, the Group and Company adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 February 2023. 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.

***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 2023. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU. The Directors are of the opinion that 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 control. The Group controls an entity where the Group is exposed to or holds rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

## 1.3 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.

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 1.5).

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.

## 1.4 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 or business concern at the date of acquisition. Goodwill on acquisitions of subsidiaries/business concerns is included in intangible assets. 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).

## 1.5 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.

## 1.6 Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries 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 results of subsidiaries 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.

## 1.7 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 as is consistent with a basic lending arrangement.

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 twelve 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. Twelve month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve 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.

## 1.8 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.

## 1.9 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.

## 1.10 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.

## 1.11 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.

## 1.12 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.

## 1.13 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.

## 1.14 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.

## 1.15 Employee benefits

***a. Contributions to defined contribution pension plan***

The Group contributes towards the State defined contribution pension plan in accordance with local legislation in exchange for services rendered by employees and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

***b. 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.

***c. Closed staff pension scheme***

The Group carries provisions within other payables for amounts payable to pensioners on a monthly basis in accordance with the "Staff Pension Scheme" of 1949. The scheme is no longer active for new entrants, no contributions are made into the scheme and any movement in the valuation of the liability is reflected in the income statement.

## 1.16 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.

## 1.17 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.

## 1.18 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.

## 1.19 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, as well as independent food and beverage retail outlets and a visitors' centre.

***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.

*Sale 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 twelve 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.

*Sale 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.

*Sale 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 Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continue unwinding the discount as finance income.

***d. Dividend income***

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

## 1.20 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.

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 twelve 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 €140,000 (2023: €100,000).

***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 2024, potential future cash outflows of €9,186,000 (2023: €9,186,000) (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.

## 1.21 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.

## 1.22 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, adjusted for Bonus shares issued during the year.

## 1.23 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.

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

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 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Financial assets measured at amortised cost** | | | | |
| Trade and other receivables (Note 10) | **32,069** | 27,497 | **23,782** | 21,586 |
| Cash at bank and in hand (Note 11) | **8,665** | 9,966 | **2,833** | 3,259 |
| | **40,734** | 37,463 | **26,615** | 24,845 |

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 and accrued income and indirect taxation.

*Security*

For trade and other receivables amounting to €2,000,000 (2023: €2,400,000), 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.

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

- An expected loss rate ranging from 0.05% to 1.66% (2023: ranging from 0.30% to 0.60%) on all credit sales generated in the preceding twenty-four months prior to 31 January resulting in a loss allowance of €1,651,000 (2023: €1,062,000) for the Group and €1,020,000 (2023: €723,000) for the Company.
- An expected loss rate of 100% on all outstanding dues generated before the preceding twenty-four months prior to 31 January (i.e. all trade receivables exceeding two years) resulting in a loss allowance of €1,590,000 (2023: €1,782,000) for the Group and €968,000 (2023: €1,096,000) for the Company.

*Impairment of related party and 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 5.3% (2023: 3.7%) on all trade loans granted within contract terms classified under stages 1 and 2 resulting in a loss allowance of €432,000 (2023: €215,000).
- 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 €698,000 (2023: €879,000).
- An expected loss rate of 100% on all outstanding dues on related party balances with a negative net equity.

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** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| | **Expected loss model** | Expected loss model | **Expected loss model** | Expected loss model |
| **Trade receivables** | | | | |
| Balance at 1 February | **2,843** | 2,916 | **1,819** | 1,938 |
| Movement in loss allowance recognised in profit or loss during the year (Note 10) | **424** | (73) | **168** | (119) |
| Receivables written-off | **(29)** | – | **–** | – |
| Balance at 31 January | **3,238** | 2,843 | **1,987** | 1,819 |
| | | | | |
| **Related party and other receivables** | | | | |
| Balance at 1 February | **3,191** | 2,062 | **2,881** | 2,062 |
| Movement in loss allowance recognised in profit or loss during the year (Note 8 and 10) | **193** | 1,129 | **(10)** | 819 |
| Receivables written-off | **–** | – | **–** | – |
| **Balance at 31 January** | **3,384** | 3,191 | **2,871** | 2,881 |
| **Total loss allowance as at year end** | **6,622** | 6,034 | **4,858** | 4,700 |

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 thirty six 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 2024, outstanding Group trade receivables of less than two years amounting to €27,489,000 (2023: €25,202,000) have an allocated loss allowance of €1,651,000 (2023: €1,062,000). Outstanding Group trade receivables of more than two years amounting to €1,818,000 (2023: €1,782,000) were fully provided.

As at 31 January 2024, outstanding Company trade receivables of less than two years amounting to €16,442,000 (2023: €14,755,000) have an allocated loss allowance of €1,020,000 (2023: €723,000). Outstanding Company trade receivables of more than two years amounting to €968,000 (2023: €1,096,000) were fully provided.

As at 31 January 2024, outstanding trade loan receivables not overdue amounting to €2,860,000 (2023: €2,902,000) have an allocated loss allowance of €432,000 (2023: €215,000). Outstanding trade loan receivables overdue amounting to €698,000 (2023: €879,000) 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 17 and 21). 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 2024** | | | | | |
| **Borrowings** | **23,040** | **25,406** | **2,812** | **22,594** | **–** |
| **Lease liabilities** | **5,319** | **6,995** | **1,494** | **2,729** | **2,772** |
| **Trade and other payables** | **33,455** | **33,455** | **30,503** | **2,952** | **–** |
| | **61,814** | **65,856** | **34,809** | **28,275** | **2,772** |
| **31 January 2023** | | | | | |
| Borrowings | 24,698 | 28,596 | 2,978 | 25,618 | – |
| Lease liabilities | 8,703 | 10,854 | 1,802 | 4,798 | 4,254 |
| Trade and other payables | 39,880 | 39,880 | 34,243 | 5,637 | – |
| | 73,281 | 79,330 | 39,023 | 36,053 | 4,254 |

| | Carrying amount | Contractual cash flows | Within one year | One to five years | Over five years |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| **COMPANY** | | | | | |
| **31 January 2024** | | | | | |
| **Borrowings** | **22,595** | **24,961** | **2,367** | **22,594** | **–** |
| **Lease liabilities** | **186** | **778** | **7** | **30** | **741** |
| **Trade and other payables** | **22,154** | **22,154** | **19,201** | **2,953** | **–** |
| | **44,935** | **47,893** | **21,575** | **25,577** | **741** |
| **31 January 2023** | | | | | |
| Borrowings | 24,113 | 27,311 | 2,393 | 24,918 | – |
| Lease liabilities | 186 | 784 | 7 | 30 | 747 |
| Trade and other payables | 26,424 | 26,424 | 20,786 | 5,638 | – |
| | 50,723 | 54,519 | 23,186 | 30,586 | 747 |

## 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 2024 and 2023 were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Total borrowings (Notes 17 and 18) | **28,359** | 33,401 | **22,781** | 24,299 |
| Less cash at bank and in hand (Note 11) | **(8,665)** | (9,966) | **(2,833)** | (3,259) |
| | **19,694** | 23,435 | **19,948** | 21,040 |
| Total equity | **148,664** | 139,167 | **136,844** | 129,674 |
| **Total equity and net borrowings** | **168,358** | 162,602 | **156,792** | 150,714 |
| **Gearing** | **11.70%** | 14.41% | **12.72%** | 13.96% |

## 2.3 Fair values

***Fair values of instruments not carried at fair value***

At 31 January 2024 and 2023 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 the bonds is based on the market price at the reporting date (Note 17). These are classified as level 1 and the fair value at 31 January 2024 amounted to €19,700,000 (2023: €20,300,000). 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.

# 3. Critical accounting estimates and judgements

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

In the opinion of the Company Directors, the accounting estimates and judgements made in the course of preparing these financial statements, except as disclosed in Notes 5 and 19 and accounting policy 1.20 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 revisited the operating segments based on the management structures and reports reviewed by the Board of Directors that are used to make strategic decisions. Segment information was re-aligned in financial year 2024 to reflect changes in management's focus specifically on Beverage and Food segments separately. 2023 comparatives have been restated to conform with the current classification.

The Board of Directors considers the Group's business mainly from the Beverage and Food sectors 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 into two segments. The brewing, production, importation and sale of branded beers and beverages encompasses the financials of the Company and the following subsidiaries, Farsons Beverage Imports Company Limited, EcoPure Limited and The Brewhouse Company Limited. The importation, wholesale of food and Operation of franchised food establishments is the second segment wherein the financials of Quintano Foods Limited and Food Chain Limited are reported.

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.

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, right-of-use assets, intangible assets, inventories, loans, trade and other receivables and cash and cash equivalents. Taxation is not considered to be a segment asset but rather is managed by the treasury function.

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

| | Brewing, production importation and sale of beer & branded beverages | Importation, wholesale of food & Operation of franchised food establishments | Group |
|---|---|---|---|
| | €'000 | €'000 | **€'000** |
| **2024** | | | |
| **Revenue** | 101,140 | 45,304 | **146,444** |
| Less: inter–segmental sales | (5,385) | (8,188) | **(13,573)** |
| | 95,755 | 37,116 | **132,871** |
| Segment results | 14,538 | 2,834 | **17,372** |
| Net finance costs | | | **(1,304)** |
| **Profit before tax** | | | **16,068** |
| Tax income | | | **(795)** |
| **Profit for the year** | | | **15,273** |
| Segment assets | 171,984 | 30,417 | **202,401** |
| Unallocated assets | | | **9,910** |
| **Total assets** | | | **212,311** |
| Segment liabilities | 48,011 | 14,396 | **62,407** |
| Unallocated liabilities | | | **1,240** |
| **Total liabilities** | | | **63,647** |

| | Brewing, production importation and sale of beer & branded beverages | Importation, wholesale of food & Operation of franchised food establishments | Group |
|---|---|---|---|
| | €'000 | €'000 | **€'000** |
| **2023** | | | |
| **Revenue** | 92,682 | 36,904 | 129,586 |
| Less: inter–segmental sales | (4,633) | (6,715) | (11,348) |
| | 88,049 | 30,189 | 118,238 |
| Segment results | 15,031 | 1,652 | 16,683 |
| Net finance costs | | | (1,367) |
| **Profit before tax** | | | 15,316 |
| Tax income | | | 156 |
| **Profit for the year** | | | 15,472 |
| Segment assets | 174,773 | 28,852 | 203,625 |
| Unallocated assets | | | 10,361 |
| **Total assets** | | | 213,986 |
| Segment liabilities | 44,339 | 14,834 | 59,173 |
| Unallocated liabilities | | | 15,646 |
| **Total liabilities** | | | 74,819 |

The Group's revenue reflected in the table above consists predominantly of revenue from the transfer of goods and services at a point in time.

## 5. Property, plant and equipment

| | Land & buildings | Assets in course of construction | Plant, machinery & equipment | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| **GROUP** | | | | |
| **At 1 February 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** |
| **Year ended 31 January 2023** | | | | |
| Opening net book value | 79,759 | 16,783 | 30,397 | 126,939 |
| Additions and commissioned assets | 16,413 | (16,246) | 10,740 | 10,907 |
| Disposals | (239) | – | (469) | (708) |
| Depreciation | (1,480) | – | (6,165) | (7,645) |
| Depreciation released on disposals | 239 | – | 460 | 699 |
| **Closing net book value** | **94,692** | **537** | **34,963** | **130,192** |
| **At 1 February 2023** | | | | |
| Cost or valuation | 110,524 | 537 | 153,331 | 264,392 |
| Accumulated depreciation and impairment | (15,832) | – | (118,368) | (134,200) |
| **Net book value** | **94,692** | **537** | **34,963** | **130,192** |
| **Year ended 31 January 2024** | | | | |
| Opening net book value | 94,692 | 537 | 34,963 | 130,192 |
| Additions and commissioned assets | 832 | 560 | 4,281 | 5,673 |
| Disposals | (9) | – | (276) | (285) |
| Depreciation | (2,153) | – | (5,980) | (8,133) |
| Impairment | (158) | – | (229) | (387) |
| Depreciation released on disposals | 8 | – | 274 | 282 |
| **Closing net book value** | **93,212** | **1,097** | **33,033** | **127,342** |
| **At 31 January 2024** | | | | |
| Cost or valuation | 111,347 | 1,097 | 157,336 | 269,780 |
| Accumulated depreciation and impairment | (18,135) | – | (124,303) | (142,438) |
| **Net book value** | **93,212** | **1,097** | **33,033** | **127,342** |

| | Land & buildings | Assets in course of construction | Plant, machinery & equipment | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| **COMPANY** | | | | |
| **At 1 February 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** |
| **Year ended 31 January 2023** | | | | |
| Opening net book value | 73,843 | 16,619 | 27,986 | 118,448 |
| Additions and commissioned assets | 15,852 | (16,193) | 8,627 | 8,286 |
| Disposals | – | – | (57) | (57) |
| Depreciation | (1,232) | – | (5,160) | (6,392) |
| Depreciation released on disposals | – | – | 49 | 49 |
| **Closing net book value** | **88,463** | **426** | **31,445** | **120,334** |
| **At 1 February 2023** | | | | |
| Cost or valuation | 102,217 | 426 | 141,217 | 243,860 |
| Accumulated depreciation and impairment | (13,754) | – | (109,772) | (123,526) |
| **Net book value** | **88,463** | **426** | **31,445** | **120,334** |
| **Year ended 31 January 2024** | | | | |
| Opening net book value | 88,463 | 426 | 31,445 | 120,334 |
| Additions and commissioned assets | 807 | (247) | 3,158 | 3,718 |
| Disposals | – | – | (30) | (30) |
| Depreciation | (1,880) | – | (4,875) | (6,755) |
| Depreciation released on disposals | – | – | 29 | 29 |
| **Closing net book value** | **87,390** | **179** | **29,727** | **117,296** |
| **At 31 January 2024** | | | | |
| Cost or valuation | 103,024 | 179 | 144,345 | 247,548 |
| Accumulated depreciation and impairment | (15,634) | – | (114,618) | (130,252) |
| **Net book value** | **87,390** | **179** | **29,727** | **117,296** |

Assets in course of construction during year ended 31 January 2023 mainly relate to works on the old brewhouse project and other minor manufacturing related projects while for the year ended 31 January 2024 mainly relate to minor manufacturing related projects.

Bank borrowings are secured by the Group's and Company's property, plant and equipment (Note 17).

***Fair value of property***

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

As at 31 January 2024, 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 2024 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 2024, 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 2024 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 2024.

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 metre related to transactions in comparable properties located in proximity to the Group's property, with significant adjustments for differences in the size, age, exact location and condition of the property.

In the case of the capitalised rentals approach, the significant unobservable inputs include a rental rate per square metre (also in respect of comparable properties as described in the case of the sales comparison approach) and a capitalisation rate of 7% (2023: 7%).

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 2024** | | | | |
| Current use as manufacturing or related premises | **88,442** | Discounted cash flow approach | Discount rate | 9% |
| 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 2023 | | | | |
|---|---|---|---|---|
| Current use as manufacturing or related premises | **89,922** | Discounted cash flow approach | Discount rate | 9% |
| 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 annualised net cash inflows, and growth rate, the higher the fair value. Conversely, the lower the discount rate, the estimated development costs, and capitalisation rate used in calculating the annualised net cash inflows, the higher the fair value.

The highest and best use of properties which are developable 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 2024, the carrying amount of land and buildings would have been €54,449,000 (2023: €55,929,000) had these assets been included in the financial statements at historical cost less depreciation.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Cost of sales | **4,414** | 5,083 | **3,422** | 4,198 |
| Selling and distribution costs | **1,438** | 1,341 | **1,246** | 1,161 |
| Administration expenses | **2,668** | 1,221 | **2,087** | 1,033 |
| | **8,520** | 7,645 | **6,755** | 6,392 |

## 6. Right-of-use assets

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

| | Group | |
|---|---|---|
| | **As at 31 January 2024** | As at 31 January 2023 |
| | **€'000** | €'000 |
| **Land & Buildings** | | |
| Opening net book value | **8,626** | 8,254 |
| Additions | **–** | 2,081 |
| Impact of derecognition of lease asset upon termination of lease | **(1,611)** | – |
| Depreciation charge | **(1,702)** | (1,709) |
| **Closing net book value** | **5,313** | 8,626 |

| | Company | |
|---|---|---|
| | **As at 31 January 2024** | As at 31 January 2023 |
| | **€'000** | €'000 |
| **Land & Buildings** | | |
| Opening net book value | **184** | 185 |
| Depreciation charge | **(2)** | (1) |
| **Closing net book value** | **182** | 184 |

During the year, the Group terminated two lease agreements which were included as right-of-use assets. On the date of termination, the Group derecognised its right-of-use asset amounting to €1,611,000 and the related lease liability amounting to €1,755,000. The resulting net impact was credited to profit and loss.

## 7. Intangible assets

| | Goodwill | Franchises & intellectual knowhow | Total |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| **GROUP** | | | |
| **At 1 February 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** |
| **Year ended 31 January 2023** | | | |
| Opening net book amount | **283** | **2,069** | **2,352** |
| Additions | – | 77 | 77 |
| Amortisation | – | (106) | (106) |
| **Closing net book amount** | **283** | **2,040** | **2,323** |
| **At 1 February 2023** | | | |
| Cost | 1,058 | 7,015 | 8,073 |
| Accumulated amortisation and impairment | (775) | (4,975) | (5,750) |
| **Net book amount** | **283** | **2,040** | **2,323** |
| **Year ended 31 January 2024** | | | |
| Opening net book amount | **283** | **2,040** | **2,323** |
| Amortisation | – | (125) | (125) |
| Impairment | – | (45) | (45) |
| **Closing net book amount** | **283** | **1,870** | **2,153** |
| **At 31 January 2024** | | | |
| Cost | 1,058 | 7,015 | 8,073 |
| Accumulated amortisation and impairment | (775) | (5,145) | (5,920) |
| **Net book amount** | **283** | **1,870** | **2,153** |

Closing net book value of the Company's Franchises and intellectual knowhow as at 31 January 2024 amounted to €1,590,000 (2023: €1,660,000) represented by cost of €1,741,000 (2023: €1,741,000) less accumulated amortisation of €151,000 (2023: €81,000).

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1.5. 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:

| | 2024 | 2023 |
|---|---|---|
| | **€'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 2024, 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.

The carrying amount of goodwill is not deemed material to SFC as a reporting entity in terms of the requirements of IAS 38 'Intangible assets'. Therefore, the disclosure of the summarised financial information and other matters in accordance with the requirements of IAS 38 is not deemed necessary.

## 8. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| **Year ended 31 January** | | |
| Opening net book amount | **9,702** | 9,702 |
| Reversal of diminution of investment value | **1,714** | – |
| **Closing net book amount** | **11,416** | 9,702 |
| **At 31 January** | | |
| Cost | **12,002** | 12,002 |
| Impairment provision for investments | **(586)** | (2,300) |
| **Net book amount** | **11,416** | 9,702 |

The principal subsidiaries at 31 January 2024 all of which are unlisted, are disclosed in Note 36 to these financial statements.

## 9. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Raw materials and consumables | **5,911** | 5,911 | **5,361** | 5,321 |
| Finished goods and goods for resale | **14,606** | 13,875 | **3,101** | 3,284 |
| Containers and other stocks | **4,420** | 4,070 | **4,034** | 3,662 |
| | **24,937** | 23,856 | **12,496** | 12,267 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Cost of sales | **717** | 489 | **439** | 274 |
| Selling, distribution and administrative expenses | **79** | 45 | **79** | 45 |
| | **796** | 534 | **518** | 319 |

## 10. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Non-current** | | | | |
| Other receivables | **1,813** | 2,250 | **1,665** | 1,902 |
| **Current** | | | | |
| Trade receivables | **25,123** | 21,669 | **14,326** | 12,633 |
| Amounts due from subsidiaries | **–** | – | **6,410** | 4,053 |
| Amounts due from related parties | **116** | 176 | **116** | 176 |
| Indirect taxation | **190** | 131 | **–** | – |
| Other receivables and advanced deposits | **5,017** | 3,402 | **1,265** | 2,822 |
| Prepayments and accrued income | **1,732** | 2,457 | **1,684** | 1,660 |
| | **32,178** | 27,835 | **23,801** | 21,344 |
| **Total trade and other receivables** | **33,991** | 30,085 | **25,466** | 23,246 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Impairment provision** | | | | |
| Trade and other receivables | **6,622** | 6,034 | **4,858** | 4,700 |
| Amounts due from subsidiaries | **–** | – | **1,714** | – |
| | **6,622** | 6,034 | **6,572** | 4,700 |

Bad debts written off against provision in the Group amounted to €29,000 in the year ended 31 January 2024 (Company: nil). No write-offs were done in the year ended 31 January 2023.

Included in other receivables are advanced deposits on non-current assets not yet commissioned as at year end amounting to €81,000 (2023: €184,000).

Amounts due to the Company by subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €405,000 (2023: €724,000) which are subject to an average interest rate of 3.5% (2023: 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 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Cash at bank and in hand | **8,665** | 9,966 | **2,833** | 3,259 |
| Bank overdrafts (Note 17) | **(445)** | (585) | **–** | – |
| | **8,220** | 9,381 | **2,833** | 3,259 |

## 12. Share capital

| | Group and Company | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| **Authorised:** | | |
| 60,000,000 ordinary shares of €0.30 each | **18,000** | 18,000 |
| 21,000,000 preference shares of €1.00 each | **21,000** | 21,000 |
| | **39,000** | 39,000 |
| **Issued and fully paid:** | | |
| 36,000,000 ordinary shares of €0.30 each | **10,800** | 10,800 |

On 19 July 2022, the Company declared an increase in the authorised share capital of the Company. Members appearing on the Register as at close of trading on the Malta Stock Exchange on 3 June 2022, were allotted one Bonus share for every five shares held, on Friday 29 July 2022. The Bonus share issue was funded by a capitalisation of €1,800,000 from the Company's retained tax-exempt profits.

## 13. Dividends paid

| | Group and Company | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| Interim dividend | **1,800** | 1,620 |
| Final dividend | **3,960** | 4,000 |
| **Dividends paid in cash** | **5,760** | 5,620 |
| Dividend per share (Euro cents) | **16c0** | 17c8 |

During the Financial Year ended 31 January 2023 a net interim dividend of €1,620,000 (€0.045 per share) was paid on 19 October 2022. A final net dividend of €3,960,000 (€0.110 per share) in respect of Financial Year ended 31 January 2023 was paid on 16 June 2023. Both final and interim dividends were paid out of tax-exempt profits.

During the Financial Year ended 31 January 2024 a net interim dividend of €1,800,000 (€0.050 per share) was paid on 18 October 2023. Interim dividends were paid out of tax-exempt profits.

At the forthcoming annual general meeting, a final net dividend of €3,960,000 (€0.110 per share) in respect of Financial Year ended 31 January 2024 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 2025.

## 14. Revaluation reserve

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'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 19) | **(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 2023 and 31 January 2024 | **2,078** | **3,507** | **2,515** | **7,463** | **15,563** |
| **COMPANY** | | | | | |
| At 31 January 2023 and 31 January 2024 | **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 2022** | |
| Gross amounts of losses | 155 |
| Deferred taxes (Note 19) | (55) |
| | **100** |
| **Movement for the year ended 31 January 2023** | |
| Losses from changes in fair value | (123) |
| Deferred taxes (Note 19) | 43 |
| | (80) |
| Transferred to statement of comprehensive income (Note 26) | (73) |
| Deferred taxes (Note 19) | 26 |
| | (47) |
| **At 31 January 2023** | |
| Gross amounts of losses | (41) |
| Deferred taxes (Note 19) | 14 |
| | **(27)** |
| **Movement for the year ended 31 January 2024** | |
| Gains from changes in fair value | 69 |
| Deferred taxes (Note 19) | (24) |
| | 45 |
| Transferred to statement of comprehensive income (Note 26) | (45) |
| Deferred taxes (Note 19) | 16 |
| | (29) |
| **At 31 January 2024** | |
| Gross amounts of losses | (17) |
| Deferred taxes (Note 19) | 6 |
| | **(11)** |

The net fair value losses recognised in equity at 31 January 2024 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. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Non-current** | | | | |
| Bonds | **19,882** | 19,850 | **19,882** | 19,850 |
| Bank loans | **1,163** | 2,713 | **1,163** | 2,713 |
| | **21,045** | 22,563 | **21,045** | 22,563 |
| **Current** | | | | |
| Bank overdrafts | **445** | 585 | **–** | – |
| Bank loans | **1,550** | 1,550 | **1,550** | 1,550 |
| | **1,995** | 2,135 | **1,550** | 1,550 |
| **Total borrowings** | **23,040** | 24,698 | **22,595** | 24,113 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'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 | **(187)** | (155) | **(187)** | (155) |
| Net book amount | **118** | 150 | **118** | 150 |
| **Amortised cost** | **19,882** | 19,850 | **19,882** | 19,850 |

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 2024 for the 3.5% Bonds 2017 - 2027 was €98.5 (2023: €101.5).

The Group's and the Company's banking facilities as at 31 January 2024 and 2023 amounted to €20,643,500 and €20,593,500 for the Group, and €10,712,500 and €12,262,500 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 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| At floating rates | **3,158** | 4,848 | **2,713** | 4,263 |
| At fixed rates | **19,882** | 19,850 | **19,882** | 19,850 |
| **Total borrowings** | **23,040** | 24,698 | **22,595** | 24,113 |

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **%** | % | **%** | % |
| Bank loans | **2.0** | 2.0 | **2.0** | 2.0 |
| Bonds | **3.5** | 3.5 | **3.5** | 3.5 |

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.

## 18. Lease liabilities

| | Group | |
|---|---|---|
| | **As at 31 January 2024** | As at 31 January 2023 |
| | **€'000** | €'000 |
| **Non-current** | | |
| Land & buildings | **3,904** | 7,205 |
| **Current** | | |
| Land & buildings | **1,415** | 1,498 |
| **Total lease liabilities** | **5,319** | 8,703 |

| | Company | |
|---|---|---|
| | **As at 31 January 2024** | As at 31 January 2023 |
| | **€'000** | €'000 |
| **Non-current** | | |
| Land & buildings | **171** | 171 |
| **Current** | | |
| Land & buildings | **15** | 15 |
| **Total lease liabilities** | **186** | 186 |

| | Group | |
|---|---|---|
| | **As at 31 January 2024** | As at 31 January 2023 |
| | **€'000** | €'000 |
| **Land & buildings** | | |
| At beginning of the year | **8,703** | 8,136 |
| Additions | **–** | 2,081 |
| Impact of derecognition of lease liability upon termination of lease | **(1,755)** | – |
| Interest payments | **318** | 360 |
| Payments | **(1,947)** | (1,860) |
| Other movements | **–** | (14) |
| **At end of year** | **5,319** | 8,703 |

| | Company | |
|---|---|---|
| | **As at 31 January 2024** | As at 31 January 2023 |
| | **€'000** | €'000 |
| **Land & buildings** | | |
| At beginning of the year | **186** | 186 |
| Interest payments | **7** | 7 |
| Payments | **(7)** | (7) |
| **At end of year** | **186** | 186 |

| | Group and Company | |
|---|---|---|
| | **As at 31 January 2024** | As at 31 January 2023 |
| | **€'000** | €'000 |
| **Plant, machinery & equipment** | | |
| At beginning of the year | **–** | 154 |
| Payments | **–** | (154) |
| **At end of year** | **–** | – |

Included in the lease liabilities for land & buildings of the Group are amounts of €1,311,000 (2023: €3,705,000) 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).

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **%** | % | **%** | % |
| Land & buildings | **4.0** | 4.0 | **4.0** | 4.0 |
| Plant, machinery & equipment | **–** | – | **2.3** | 2.3 |

## 19. Deferred taxation

The movement in the deferred tax account is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| At beginning of year | **(8,938)** | (7,486) | **(9,754)** | (8,398) |
| Credited to income statements (Note 27) | **(964)** | (1,521) | **(748)** | (1,425) |
| Net tax effect of re–measurement of derivatives (Note 16) | **(8)** | 69 | **(8)** | 69 |
| **At end of year** | **(9,910)** | (8,938) | **(10,510)** | (9,754) |

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% (2023: 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% (2023: 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.

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 €1,500,000 (2023: €1,500,000).

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

| | Fixed assets | Investment tax credits | Fair value (gain)/loss | Revaluation surplus | Provisions and Tax Losses | Total |
|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **(Assets)/Liabilities** | | | | | | |
| **GROUP** | | | | | | |
| At 1 February 2022 | 2,686 | (13,360) | 424 | 4,917 | (2,153) | (7,486) |
| Income statement | 336 | (1,688) | – | – | (169) | (1,521) |
| Other comprehensive income | – | – | 69 | – | – | 69 |
| **At 31 January 2023** | **3,022** | **(15,048)** | **493** | **4,917** | **(2,322)** | **(8,938)** |
| At 1 February 2023 | 3,022 | (15,048) | 493 | 4,917 | (2,322) | (8,938) |
| Income statement | (427) | (854) | – | – | 317 | (964) |
| Other comprehensive income | – | – | (8) | – | – | (8) |
| **At 31 January 2024** | **2,595** | **(15,902)** | **485** | **4,917** | **(2,005)** | **(9,910)** |
| **COMPANY** | | | | | | |
| At 1 February 2022 | 2,890 | (13,360) | (55) | 4,062 | (1,935) | (8,398) |
| Income statement | 679 | (1,688) | – | – | (416) | (1,425) |
| Other comprehensive income | – | – | 69 | – | – | 69 |
| **At 31 January 2023** | **3,569** | **(15,048)** | **14** | **4,062** | **(2,351)** | **(9,754)** |
| At 1 February 2023 | 3,569 | (15,048) | 14 | 4,062 | (2,351) | (9,754) |
| Income statement | (462) | (854) | – | – | 568 | (748) |
| Other comprehensive income | – | – | (8) | – | – | (8) |
| **At 31 January 2024** | **3,107** | **(15,902)** | **6** | **4,062** | **(1,783)** | **(10,510)** |

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 2024, the Group and the Company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Unutilised tax credits | **10,233** | 15,345 | **10,233** | 15,345 |

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

## 20. Provisions for other liabilities and charges

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Termination benefit provisions** | | | | |
| At 1 February | **9** | 11 | **9** | 11 |
| Charged to profit and loss | **7** | 16 | **7** | 16 |
| Utilised during the year | **(16)** | (18) | **(16)** | (18) |
| **At 31 January** | **–** | 9 | **–** | 9 |

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 2024 total €7,000 while for 2023 total €16,000 (Note 22 and 23).

## 21. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Non-current** | | | | |
| Capital and other payables | **2,952** | 3,280 | **2,953** | 3,281 |
| Indirect taxes and social security | **–** | 2,357 | **–** | 2,357 |
| | **2,952** | 5,637 | **2,953** | 5,638 |
| **Current** | | | | |
| Trade payables | **8,035** | 8,669 | **3,234** | 2,414 |
| Capital and other payables | **3,716** | 5,702 | **3,690** | 5,680 |
| Amounts due to subsidiaries | **–** | – | **311** | 233 |
| Amounts owed to related parties | **213** | – | **154** | – |
| Indirect taxes and social security | **6,564** | 7,941 | **4,908** | 5,060 |
| Accruals and deferred income | **11,975** | 11,931 | **6,904** | 7,399 |
| | **30,503** | 34,243 | **19,201** | 20,786 |
| **Total trade and other payables** | **33,455** | 39,880 | **22,154** | 26,424 |

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 2024, capital and other payables include institutional grants amounting to €2,229,000 (2023: €2,627,000) 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 €1,979,000 (2023: €2,229,000). 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.

## 22. Expenses by nature

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Depreciation and Impairment of property, plant and equipment (Note 5) | **8,520** | 7,645 | **6,755** | 6,392 |
| Depreciation of right-of-use assets (Note 6) | **1,702** | 1,709 | **2** | 1 |
| Loss/(Profit) on disposal of property, plant and equipment | **1** | (13) | **(5)** | (13) |
| Employee benefit expense (Note 23) | **26,698** | 23,412 | **13,309** | 12,028 |
| Termination benefits (Note 23) | **7** | 16 | **7** | 16 |
| Directors' emoluments (Note 28) | **811** | 702 | **811** | 702 |
| Raw materials, imported goods and consumables | **61,509** | 55,199 | **26,730** | 21,829 |
| Movement in inventory levels of finished goods and work in progress (Note 9) | **(731)** | (4,036) | **183** | (726) |
| Amortisation and Impairment of intangible assets (Note 7) | **170** | 106 | **70** | 81 |
| Other expenses | **16,195** | 15,759 | **5,142** | 8,296 |
| **Total cost of sales, selling and distribution costs and administrative expenses** | **114,882** | 100,499 | **53,004** | 48,606 |

Operating profit is stated after crediting deferred institutional grants amounting to €398,000 (2023: €175,000).

*Auditor's fees*

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2024 and 2023 relate to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Annual statutory audit | **177** | 169 | **104** | 102 |
| Other assurance services | **14** | 6 | **12** | 4 |
| | **191** | 175 | **116** | 106 |

During the current year fees amounting to €122,000 (2023: €20,000) and €119,000 (2023: €18,000) for the Group and Company respectively have been charged by connected undertakings of the Company's auditor to the Group and Company for tax compliance, advisory services and other non-assurance services.

## 23. Employee benefit expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Wages and salaries | **25,091** | 21,944 | **14,691** | 12,851 |
| Social security costs | **1,574** | 1,420 | **914** | 832 |
| Other employee related costs | **33** | 48 | **33** | 48 |
| | **26,698** | 23,412 | **15,638** | 13,731 |
| Recharged to subsidiaries | **–** | – | **(2,329)** | (1,703) |
| | **26,698** | 23,412 | **13,309** | 12,028 |
| Termination benefits (Note 20) | **7** | 16 | **7** | 16 |
| | **26,705** | 23,428 | **13,316** | 12,044 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| Brewing, production and sale of branded beers and beverages | **506** | 484 | **455** | 429 |
| Importation, wholesale and retail of food and beverages, including wines and spirits | **109** | 99 | **–** | – |
| Operation of franchised food retailing establishments | **339** | 327 | **–** | – |
| | **954** | 910 | **455** | 429 |

Employee benefit expense for Financial Year 2024 above amounting to €26,698,000 (Company €13,309,000) is stated net of the COVID-19 wage supplement paid by Government of Malta to the Group to support the payment of employees' wages and salaries amounting to €6,000 (Company €4,000).

Employee benefit expense for Financial Year 2023 above amounting to €23,412,000 (Company €12,028,000) is stated net of the COVID-19 wage supplement paid by Government of Malta to the Group to support the payment of employees' wages and salaries amounting to €185,000 (Company €57,000).

## 24. Net exchange differences

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Foreign exchange differences | **28** | 44 | **17** | 10 |

## 25. Finance income

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Interest on amounts owed by subsidiaries | **–** | – | **15** | 22 |
| Other operating income | **12** | – | **12** | – |
| | **12** | **–** | **27** | **22** |

## 26. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Interest on bank loans and overdrafts | **253** | 198 | **138** | 113 |
| Lease interest | **318** | 360 | **7** | 7 |
| Interest on bonds | **700** | 700 | **700** | 700 |
| Fair value loss on derivative financial instruments | **45** | 73 | **45** | 73 |
| Other finance costs | **–** | 36 | **–** | 1 |
| | **1,316** | 1,367 | **890** | 894 |

## 27. Tax expense/(income)

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Current tax expense | **1,759** | 1,365 | **18** | – |
| Deferred tax income (Note 19) | **(964)** | (1,521) | **(748)** | (1,425) |
| **Tax expense/(income)** | **795** | (156) | **(730)** | (1,425) |

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 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Profit before tax | **16,068** | 15,316 | **12,216** | 12,141 |
| Tax on profit at 35% | **5,624** | 5,361 | **4,276** | 4,249 |
| Tax effect of: | | | | |
| Movement in deferred tax assets/conversion tax credits | **(5,112)** | (5,304) | **(5,112)** | (5,304) |
| Over provision in deferred tax related to prior years | **118** | (467) | **–** | (467) |
| Non-taxable income and disallowed expenses | **165** | 254 | **106** | 97 |
| **Tax expense/(income)** | **795** | (156) | **(730)** | (1,425) |

## 28. Directors' emoluments

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| *Amounts paid* | | | | |
| Fees | **233** | 228 | **233** | 228 |
| Salaries | **174** | 165 | **174** | 165 |
| Other emoluments | **404** | 309 | **404** | 309 |
| **Total Directors' remuneration** | **811** | 702 | **811** | 702 |

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

## 29. Earnings per share

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

| | Group | |
|---|---|---|
| | **2024** | 2023 |
| Profit attributable to shareholders (€'000) | **15,273** | 15,472 |
| Weighted average number of ordinary shares in issue (thousands) | **36,000** | 36,000 |
| **Basic and diluted earnings per share for the year attributable to shareholders** | **€ 0.4243** | € 0.4298 |

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

## 30. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Operating profit | **17,372** | 16,683 | **13,079** | 13,013 |
| Adjustments for: | | | | |
| Depreciation and Impairment of property, plant and equipment (Note 5) | **8,520** | 7,645 | **6,755** | 6,392 |
| Depreciation of right-of-use assets (Note 6) | **1,702** | 1,709 | **2** | 1 |
| Profit/(Loss) on disposal of property, plant and equipment (Note 22) | **1** | (13) | **(5)** | (13) |
| Amortisation and Impairment of intangible assets (Note 7) | **170** | 106 | **70** | 70 |
| Amortisation of institutional grant (Note 21) | **(398)** | (175) | **(398)** | (175) |
| Diminution in impairment on investments in subsidiaries | **–** | – | **(1,714)** | – |
| Amortisation of bond issue costs (Note 17) | **32** | 32 | **32** | 32 |
| Increase in provision for impairment of trade and other receivables (Note 10) | **617** | 1,056 | **1,872** | 700 |
| Provision for termination benefits (Note 20) | **7** | 16 | **7** | 16 |
| Net gain on termination of lease | **(144)** | – | **–** | – |
| | **27,879** | 27,059 | **19,700** | 20,036 |
| Changes in working capital: | | | | |
| Inventories | **(1,081)** | (7,515) | **(229)** | (3,916) |
| Trade and other receivables | **(4,523)** | (7,306) | **(4,092)** | (1,005) |
| Trade and other payables | **(6,110)** | 4,506 | **(3,911)** | 1,527 |
| **Cash generated from operations** | **16,165** | 16,744 | **11,468** | 16,642 |

*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 84 and movement in lease liability is disclosed in Note 18.

## 31. Commitments

***Capital commitments***

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Authorised but not contracted | **40,987** | 7,226 | **16,508** | 5,379 |
| Contracted but not provided for | **3,892** | 2,755 | **3,892** | 2,755 |
| | **44,879** | 9,981 | **20,400** | 8,134 |

## 32. Contingent liabilities

At 31 January 2024, the Group and the Company had contingent liabilities amounting to €912,000 (2023: €831,000) and €94,000 (2023: €85,000) 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 had been made aware of preliminary enquiries between third parties which could potentially have resulted in a claim being made against the Company. The Company was not a party to the enquiries. The Company has obtained evidence indicating that these enquiries between the third parties have now been closed.

## 33. Related party transactions

The following companies (and their respective subsidiaries) are related parties by virtue of their shareholding in the Company:

| | Percentage of shares held | |
|---|---|---|
| | **2024** | 2023 |
| 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% (2023: 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 | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Income from goods and services** | | | | |
| – Sales of goods to subsidiaries | **–** | – | **2,813** | 2,372 |
| – Sales of goods to related parties | **404** | 254 | **217** | 166 |
| – Recharge of costs to subsidiaries | **–** | – | **2,227** | 1,337 |
| – Recharge of payroll costs to subsidiaries | **–** | – | **2,771** | 2,075 |
| – Recharge of payroll costs to a related party | **31** | 99 | **31** | 99 |
| – Finance income on loans to subsidiaries | **–** | – | **15** | 22 |
| | **435** | 353 | **8,074** | 6,071 |
| **Expenditure for goods and services** | | | | |
| – Purchases of goods from subsidiaries | **–** | – | **2,371** | 2,101 |
| – Purchases of goods and services from related parties | **1,213** | 890 | **1,098** | 773 |
| – Rental expenses from related parties | **781** | 790 | **–** | – |
| – Finance costs on loans from subsidiaries | **–** | – | **30** | 6 |
| | **1,994** | 1,680 | **3,499** | 2,880 |

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

| | Group | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| Directors (Note 28) | **811** | 702 |
| Senior Management | **1,457** | 1,253 |
| | **2,268** | 1,955 |

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 21 of these financial statements.

## 34. Statutory information

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

## 35. Comparative information

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

## 36. Subsidiaries

The principal subsidiaries are shown below:

| | | | Percentage of shares held | |
|---|---|---|---|---|
| | **Registered office** | **Principal activities** | **2024** | 2023 |
| 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 | Non-operating | **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 visitors' attraction, retail outlets, leasing of commercial and office space | **100** | 100 |

# SHAREHOLDER INFORMATION

## Directors' interests in the share capital of the Company

| | Ordinary shares held as at 31 January 2024 | Ordinary shares held as at 30 April 2024 |
|---|---|---|
| Mr Louis A. Farrugia | 36,268 | 36,268 |
| Mr Michael Farrugia | 6,662 | 6,662 |
| Ms Marina Hogg | 16,468 | 16,468 |
| Baroness Justine Pergola | 116,807 | 116,807 |
| Marquis Marcus John Scicluna Marshall | 32,947 | 32,947 |
| Mr Marcantonio Stagno d'Alcontres | 4,116 | 4,116 |
| Dr Max Ganado | 1,800 | 1,800 |

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

Mr Louis A. Farrugia has beneficial interest in Farrugia Investments Limited directly and through Farrugia Holdings Limited. Mr Michael Farrugia has beneficial interest in Farrugia Investments Limited through Farrugia Holdings Limited.

Mr Marcantonio Stagno d'Alcontres has beneficial interest in M.S.M. Investments Limited through Medsea Investments Limited and Miceli Holdings Limited. Ms Marina Hogg has beneficial interest in M.S.M. Investments Limited through Bolina Holdings Limited and Miceli Holdings Limited.

Marquis Marcus John Scicluna Marshall has direct beneficial interest in Sciclunas Estates Limited. Baroness Justine Pergola has direct beneficial interest in Sciclunas Estates Limited.

There has been no movement in the above stated shareholdings during the period 31 January 2024 to 30 April 2024.

## Shareholders holding 5% or more of the equity share capital as at 30 April 2024

| Shareholders | Number of shares | Percentage holding |
|---|---|---|
| Farrugia Investments Limited | 9,538,632 | 26.50% |
| M.S.M. Investments Limited | 9,538,632 | 26.50% |
| Sciclunas Estates Limited | 9,475,395 | 26.32% |

## Shareholding details

As at 30 April 2024, the Company's issued share capital was held by the following shareholders:

| | Number of shareholders |
|---|---|
| Ordinary shares of €0.30 each | 2,012 |

The holders of the Ordinary shares have equal voting rights.

## Number of shareholders as at 30 April 2024

| | Number of shareholders | Number of shares | Percentage holding |
|---|---|---|---|
| Ordinary shares of €0.30 each | | | |
| Up to 500 shares | 691 | 156,845 | 0.44% |
| 501 – 1,000 | 386 | 278,878 | 0.77% |
| 1,001 – 5,000 | 719 | 1,623,551 | 4.51% |
| More than 5,000 | 216 | 33,940,726 | 94.28% |
| | 2,012 | 36,000,000 | 100.00% |

**Nadine Magro**

*Company Secretary*

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

Telephone: (+356) 2381 4293

# FIVE YEAR SUMMARISED GROUP FINANCIAL INFORMATION

| | | **2024** | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|---|
| | | **€'000** | €'000 | €'000 | €'000 | €'000 |
| **Revenue** | | **132,871** | 118,238 | 91,768 | 73,016 | 103,491 |
| Operating costs | | **(115,499)** | (101,555) | (78,322) | (67,343) | (89,801) |
| **Operating profit** | | **17,372** | 16,683 | 13,446 | 5,673 | 13,690 |
| Net finance costs | | **(1,304)** | (1,367) | (1,282) | (1,246) | (1,370) |
| **Profit before taxation** | | **16,068** | 15,316 | 12,164 | 4,427 | 12,320 |
| Tax | | **(795)** | 156 | 264 | (1,094) | (451) |
| **Profit attributable to Ordinary shareholders** | | **15,273** | 15,472 | 12,428 | 3,333 | 11,869 |
| **Net dividends paid on Ordinary shares** | | **5,760** | 5,620 | 3,000 | – | 4,000 |
| | | | | | | |
| Shareholders' funds | | **148,664** | 139,167 | 129,188 | 119,654 | 116,223 |
| Lease liabilities | | **5,319** | 8,703 | 8,290 | 5,647 | 6,391 |
| Borrowings (net of cash and cash equivalents) | | **14,375** | 14,732 | 10,264 | 18,591 | 34,146 |
| **Total capital employed (adjusted)** | | **168,358** | 162,602 | 147,742 | 143,892 | 156,760 |
| | | | | | | |
| Non-current assets | | **146,531** | 152,329 | 145,727 | 136,504 | 136,287 |
| Current assets (excluding cash and cash equivalents) | | **57,115** | 51,691 | 39,485 | 33,387 | 43,246 |
| Liabilities (excluding cash borrowings and lease liabilities) | | **(35,288)** | (41,418) | (37,470) | (25,999) | (22,773) |
| **Total assets less liabilities (excluding net borrowings)** | | **168,358** | 162,602 | 147,742 | 143,892 | 156,760 |
| | | | | | | |
| Ordinary shares issued | *'000* | **36,000** | 36,000 | 30,000 | 30,000 | 30,000 |
| Bonus shares issued | *'000* | **–** | 6,000 | – | – | – |
| Number of Ordinary shareholders at year end | | **2,010** | 2,010 | 1,997 | 1,991 | 1,922 |
| Earnings per Ordinary share (Note 29) | | **€ 0.424** | € 0.430 | € 0.345 | € 0.093 | € 0.330 |
| Return on average capital employed | *percentage* | **11.0** | 11.4 | 9.7 | 3.9 | 9.4 |
| Dividend cover | *times* | **2.65** | 2.75 | 4.14 | – | 2.97 |
| Dividends per Ordinary share (net of tax) | | **€ 0.160** | € 0.156 | € 0.100 | – | € 0.133 |
| Net asset value per Ordinary share | | **€ 4.13** | € 3.87 | € 3.59 | € 3.32 | € 3.23 |
| Gearing | *percentage* | **11.70** | 14.41 | 12.56 | 16.84 | 25.86 |

The Earnings per Ordinary share and the Net asset value per Ordinary share for prior years have been restated to reflect the additional shares allotted through the Bonus share issue in FY 2023 (Note 12).

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

**Dividend cover** is calculated by dividing the profit attributable to the ordinary shareholders by the total net dividends paid 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.

# 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 the Parent Company financial statements (the "financial statements") of Simonds Farsons Cisk plc give a true and fair view of the Group and the Parent Company's financial position as at 31 January 2024, and of their 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 2024;
- 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, comprising material accounting policy information 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 2023 to 31 January 2024, are disclosed Note 22 to the financial statements.

## Our audit approach

**Overview**


- Overall group materiality: €803,000, 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.

- Recognition of deferred tax asset arising from tax credits relating to the Group and the Parent 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*** | €803,000 |
| ***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 €80,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Key audit matters**

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

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| ***Recognition of deferred tax asset arising from tax credits relating to the Group and the Parent Company***<br>*Refer to Note 19* | |
| The Group and the Parent Company have recorded a deferred tax asset attributable to unutilised tax credits amounting to €16 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.<br><br>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.<br><br>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.<br><br>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 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 2024, 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 2024 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

## Other reporting requirements

The *Annual Report 2024* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

| Area of the *Annual Report 2024* and the related directors' responsibilities | Our responsibilities | Our reporting |
|---|---|---|
| **Directors' Report and Statement by the Directors on Non-Financial Information**<br>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.<br><br>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.<br><br>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.<br><br>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:<br>• 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<br><br>• the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).<br><br>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section. |

| Area of the Annual Report 2024 and the related directors' responsibilities | Our responsibilities | Our reporting |
|---|---|---|
| **Corporate Governance Statement**<br>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.<br><br>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.<br><br>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.<br><br>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section. |
| **Remuneration report**<br>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 2024 and the related Directors' responsibilities | Our responsibilities | Our reporting |
|---|---|---|
| | **Other matters on which we are required to report by exception**<br>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:<br>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.<br>• the financial statements are not in agreement with the accounting records and returns.<br>• we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.<br><br>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 Parent 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 76 years. The Company became listed on a regulated market on 20 December 1995.

**Stefan Bonello**
*Principal*

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

29 May 2024

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**Simonds Farsons Cisk plc**

The Brewery,
Mdina Road, Zone 2,
Central Business District,
Birkirkara CBD 2010,
Malta.

Tel: (+356) 2381 4114
email: sfc@farsons.com
www.farsons.com

9 789993 248224