SIMONDS FARSONS CISK plc

meeting the challenges of a changing world

ANNUAL REPORT

2005

Directors, Board Committees, Group Executives and Senior Management

– BOARD OF DIRECTORS –

Bryan A. Gera - Chairman
Vincent Curmi - Vice-Chairman
Louis A. Farrugia - Group Chief Executive
Anthony P. Galdes
Dr. Max Ganado
Luke L. Miceli
Marcantonio Stagno d'Alcontres
Marquis Marcus John Scicluna Marshall
Anthony J. Tabone - Company Secretary

– CORPORATE GOVERNANCE COMMITTEE –

Bryan A. Gera - Chairman
Marcantonio Stagno d'Alcontres
Vincent Curmi
Marquis Marcus John Scicluna Marshall
Anthony P. Galdes

– RELATED PARTY TRANSACTIONS COMMITTEE –

Bryan A. Gera - Chairman
Vincent Curmi
Dr. Max Ganado

– REMUNERATION COMMITTEE –

Bryan A. Gera - Chairman
Marquis Marcus John Scicluna Marshall
Luke L. Miceli
Anthony P. Galdes
Dr. Max Ganado

– NEW VENTURES, ACQUISITIONS, MERGERS COMMITTEE –

Vincent Curmi - Chairman
Marcantonio Stagno d'Alcontres
Dr. Max Ganado
Anthony P. Galdes

– AUDIT COMMITTEE –

Anthony P. Galdes - Chairman
Luke L. Miceli
Marquis Marcus John Scicluna Marshall
Dr. Max Ganado
Rachel Soler - Secretary - Group Internal Auditor

– GROUP EXECUTIVE BOARD –

Louis A. Farrugia - Chairman & Group Chief Executive
Anthony J. Tabone - Deputy to the Group Chief Executive - Marketing
Ivan Faurè - Group Financial Controller
Paul Micallef - Deputy to the Group Chief Executive - Operations

– SENIOR MANAGEMENT –

Norman Aquilina - Managing Director - Quintano Foods Limited
Geoffrey Borg - General Manager - Sales, Credit & Distribution
Albert F. Calleja - Chief Development Officer
Stefania Conte - General Manager - Food Chain Holdings Limited
Josef Formosa Gauci - General Manager - Trident Developments Limited
Ray Grech - General Manager - Marketing & Export
Arthur Muscat - Group Human Resources Manager
Ray Sciberras - Chief Production Officer
Reno Tanti - General Manager - Guido Vella Limited
Gabriel Wirth - General Manager - Wands Limited

– FARSONS FOUNDATION BOARD OF TRUSTEES –

Luke L. Miceli - President
Bryan A. Gera
Anthony J. Tabone
Chev. Joseph Sammut
Chev. Dr. Vincent Despasquale
Franco Masini
Hyacinth Muscat - Secretary

Simonds Farsons Cisk plc,

The Brewery, Notabile Road, Mriehel BKR 01, Malta.

Telephone: (+356) 2381 4114 Telefax: (+356) 2381 4150

email: sfc@farsons.com

www.farsons.com

Contents

The Farsons Group is centred on a number of strategic units across 4 main business areas.

> Production & Sale of Beers & Beverages

> Importation of Food, Beverages, Wines & Spirits

> Food Franchising

> Property Management

Each of these companies has its own management structure with clearly defined responsibilities ensuring that.....each brand and product line is nurtured carefully

SIMONDS FARSONS CISK PLC

ANTHONY CARUANA & SONS LIMITED

BURGER OPERATIONS LIMITED

ECO PURE PREMIUM WATER CO. LIMITED

FARSONS ITALIA SRL (MILAN, ITALY)

FARSONS (SALES & MARKETING) LIMITED

FOOD CHAIN (HOLDINGS) LIMITED

FOOD OPERATIONS LIMITED

GALLERIA MANAGEMENT LIMITED

GUIDO VELLA LIMITED

to optimise its potential in the Maltese market.

KENTUCKY OPERATIONS LIMITED

MENSIJA CATERING CO. LIMITED

PIZZA OPERATIONS LIMITED

PORTANIER WAREHOUSES LIMITED

QUINTANO FOODS LIMITED

SLIEMA FORT COMPANY LIMITED

TRIDENT DEVELOPMENTS LIMITED

TRIDENT WINES LIMITED

VITA SANA SRL (TREVISO, ITALY)

WANDS LIMITED

Chairman's Statement

I am pleased to report that once again the Group has registered an increase in its activities, more specifically in its turnover; however, this has not been reflected by an increase in our profitability. Group turnover increased from Lm24,725,000 to Lm26,781,000 - an increase of 8%. This was principally due to the consolidation of our new food importation business, Quintano Foods Limited, that commenced operations in late April 2004.

Group profit before taxation amounted to Lm826,000, a decrease from last year's figure of Lm1,137,000. This decrease was mainly due to increased competition in the market place and a higher than expected loss from Guido Vella Limited in its first year of operation. Profits after taxation and after minority interest amounted to Lm624,000. One cannot compare the profit after taxation with last year's figure of Lm2,690,000 which included a significant write back of Lm1,441,000 in the deferred tax provisions made last year as a result of the parent company's eligibility to tax benefits under the Business Promotion Act. In line with previous years, your Board is recommending a total net dividend of 2c4 amounting to Lm604,000, equal to last year's dividend. This will be paid out of tax-exempt profits.

At this stage I must point out that your Board of Directors has approved a change in the accounting policy on the valuation of investment property. Investment properties were previously valued at cost in our books and the new policy is to value them at open market value. The net effect in the accounts is that shareholders' reserves have increased by Lm1,138,000 after providing for deferred tax on this revaluation. I would like to emphasise that the properties that have been revalued only include those not occupied by any of the Group's activities. This change in accounting policy is an important decision because we have stated at many previous shareholders' meetings that our balance sheet does not reflect the underlying value of much of the immovable properties which the Group owns. Your Board wishes to assure you that it is working hard to commence extracting the value of these properties for the benefit of all shareholders.

an increase in activities and turnover

As explained in the Group Chief Executive's Review in this annual report, this year's trading environment has been dominated by the opening up of the local market place to free trade, as well as by the general economic difficulties our economy is facing. It does not make sense for me to repeat his message except to state that your Board feels that the strategies adopted to face the challenges are the right ones and fully endorses them. Your Board is confident that the steps taken by Management will give the required returns in the years ahead.

As you will have noted, after the balance sheet date, the company made a very important public announcement that the Board of Directors had approved an investment plan over the next six years to build a soft drinks facility, a distribution centre and a new brewhouse. Total capital expenditure is expected to amount to Lm14,000,000. The plan is to upgrade and restructure all our production facilities in the most efficient way possible given the changes in market conditions and packaging regulations on soft drinks. The investment of Lm5,600,000 on a soft drinks factory has already been authorised by the Board and in fact work has already started. On completion of this facility and following approval of the distribution centre, the Wands site comprising 12 tumoli, three depots comprising 11 tumoli and the whole of the frontage of the existing Brewery will be released for commercial development. We expect this will happen by 2009. I would like to note that at this point in time, this property is not included under Investment Property.

a new soft drinks facility, distribution centre and brewhouse

Given this development, your Board has intensified its discussions on the options available to the Group on how best to optimise shareholder value on these sizeable and unique immovable properties. Once a plan is agreed to and the properties are released, considerable value will accrue to the shareholders.

As reported in last year’s annual report, your Group has developed into four distinct and compatible businesses which rely on Group resources such as IT and HR services. A good example of this is the way Quintano Foods Limited has been integrated into the Group in its first year of operations under Farsons Management. Your Group has certainly become more complex and requires considerable focus from the Board and Management. Your Board is however confident that we have the necessary skills and resources to complete our plans to the benefit of all stakeholders.

I would like to thank my colleagues on the Board and in particular Mr. Louis A. Farrugia, our Managing Director and all the members of the Group Executive Board for their valid contribution in a very stressful year, a year in which we witnessed an upheaval in the market as a result of liberalisation coupled with poor market conditions. I thank also Senior Managers and the entire work force at all levels, not only at Farsons but in all the subsidiaries within the Group. They too have had to adjust to change and they have done so very successfully. It is also evident that the subsidiaries are making a greater contribution than in the past. Our thanks go also to the trustees of the Farsons Foundation which has just completed its tenth year of life. It is through the Foundation that we meet some of our social obligations, by sponsoring culture in its various aspects, by helping charitable institutions and other deserving causes.

It is with sadness that we record the demise of Mr. Louis Galea an ex-colleague of ours who served for no less than twenty years as a director and later as Vice Chairman of the Board. I could write at length on Mr. Galea's achievements, but this is not the place to do so. I will however quote from Mr. Farrugia's appreciation of Mr. Galea where he wrote "His vast contribution to Malta at so many levels must be his *in memoriam*. Those of us who served with him, watched him at work, admired his selflessness and sense of duty, deeply respected him".

Finally, I would like to express our appreciation to our auditors PriceWaterhouseCoopers and our external legal advisor Prof. Andrew Muscat of Mamo T.C.V.

Bryan A. Gera
Chairman

...in open and competitive we have more

Louis A. Farrugia - Group Chief Executive

markets than risen up to the test...

OUR ECONOMY

Inevitably year after year, we come to face new challenges that are brought about because of changes in the economic environment that we operate in. This past year under review has been no exception. On May 1st 2004 Malta, along with another nine countries acceded as a member of the European Union. Our accession has meant that our commercial laws and our trading regulations have been brought in line with those of the European Union and that our protective duties and levies have been largely removed. Those that remain are in line with the common external tariff agreements that the European Union enjoys with its trading partners. At the same time, Government has been constrained to reduce and control its expenditure and to bring Malta's chronic budget deficit to within acceptable EU Maastricht criteria. To achieve this, Government within the last 18 months, has introduced a series of increases in taxation which included raising VAT from 15% to 18%, increases in fuel costs, the introduction of a 3% excise tax on mobile telephony, an eco tax on a range of consumer products including all one way packages, and has intensified its efforts to collect unpaid taxes. These measures have undoubtedly resulted in pressure on consumers' disposable income and our performance has certainly not been immune to these factors.

In this review I intend to outline how your Group has tackled these challenges and how it is preparing itself to take on the challenges and opportunities to be faced in the future.

A LIBERALISED MARKET

It is important to point out at the outset that the process of liberalisation of the beverage market is at different stages of its development. Whereas the water, fruit juice and squash sector was liberalised on January 1st 2003, the beer sector was liberalised on May 1st 2004 and the carbonated soft drink sector will be liberalised on January 1st 2008.

During the initial weeks of the liberalisation of the beer sector we saw a large number of new beers launched at a wide range of prices. We also saw for the first time the parallel trading of the major international brands of imported beer. These factors resulted in a downward pressure on prices right across the spectrum of the beer market.

Making waves - San Michel Fruit Waves are successfully launched.

In preparation for this eventuality, Farsons had adopted a strategy of competing at all levels and I am pleased to report that our performance within this 'revolution' has been credible. Local production decreased marginally whilst profit margins were also under pressure. I should point out that additional local value-added has been won through the agreement with Anheuser Busch to package Budweiser in Malta. Therefore, if this amount is added to the production figures, we can state that Farsons actually increased its production of packaged beer during the year under review.

Cisk continues to be the largest beverage brand in our portfolio and it has now become an example of how a local brand, which is consistently of high quality and properly supported, can withstand the onslaught of larger imported international brands.

Our premium beers such as Carlsberg, Cisk Export, Hopleaf and Blue Label Smooth n' Creamy and of course Budweiser and Beck's have helped maintain margins within this downward pressure. At the same time the launch of Skol Lager under license from Carlsberg Breweries has helped us maintain our volumes.

...an increase in volume of packaged beer

This pricing policy for our beers has paid dividends. This new market environment has brought to the fore intensive and new marketing campaigns designed to ensure that our Group's beer brands not only maintain their market share but also strengthen consumer awareness. These campaigns have involved very creative media advertising, outdoor advertising, sponsorship of a number of national events as well as in-store promotions.

As I already indicated, the bottled water and fruit juice markets were liberalised on January 1st 2003. During the first year and five months of this process, the water segment did not undergo any dramatic changes. Yet from May 2004 onwards, the number of new water brands intensified and this very rapidly led to a price war putting serious pressure on our margins.

We responded by developing a secondary brand named Aquadot and more recently re-packaged Elan Still and Sparkling Water. Our objective is to ensure that we maintain our volumes whilst responding to the price competition from new imports. San Michel is still the leading water brand on the market and sells at a premium to all other locally produced waters.

In addition, we have launched San Michel Fruit Waves – a range of lightly flavoured waters – preferred by the more health conscious consumers, and it has proven to be a success with initial volumes exceeding our expectations. The launching of this sub-sector follows international trends for non-alcoholic beverages with low or no sugar.

The soft drink sector although not yet liberalised has been under pressure from the new age drinks, non-carbonated fruit flavours and new energy drinks. These products are more conveniently packaged in one-way packages and are challenging the refreshment effect of traditional soft drinks.

Kinnie, our very own flagship soft drink is consistently supported with strong marketing programmes and sells at a premium to all other soft drinks. It remains a most important asset of the Group and has the potential to be exported. In fact I can report that new interest has arisen from Europe and Australia for this product and that new initiatives are underway to export it directly from Malta.

Our relationship with Pepsico continues to strengthen and both Pepsi and 7UP are two very important brands within our soft drink portfolio. We are satisfied with their performance, given the very strong competition they face. Naturally we must continue to be innovative and face the realities of consumer preferences for refreshment drinks. Certainly Management's attention is now focused on the full liberalisation of the soft drink sector in January 2008 when soft drinks will be allowed to be sold in one-way packages. This will be another revolution and could help drive volumes up again.

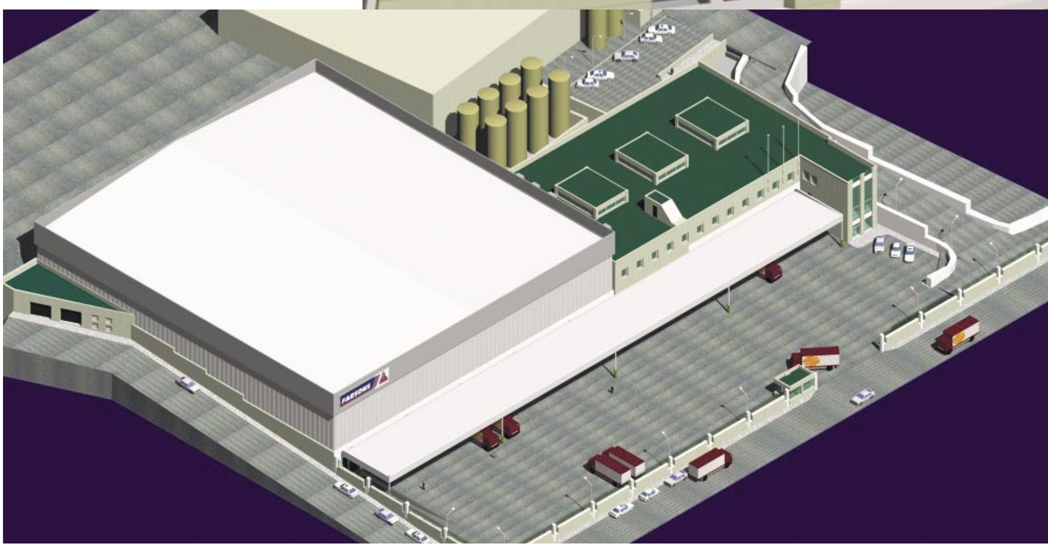
Kinnie, Pepsi and 7UP continue to retain market share and increase volumes

...strengthening brand awareness of our flagship brand

In November 2004 we restructured our existing three sales forces previously grouped under Farsons, Wands Limited and Anthony Caruana & Sons Limited into two, under a new company called Farsons (Sales and Marketing) Limited. This is a very important development. The two sales teams are now responsible for all the Group's portfolio and we have eliminated the distinction of whether a product is made locally or not. Rather, the distinction is the size of their portfolio and the compatibility of the product sectors. They are organised into on-premise and take-home and are supervised by experienced and competent executives. The initial feedback from the trade has been positive with sales in many product groups showing a healthy growth trend. A specific training course, led by an overseas sales training expert, has been organised for all members falling under the new structure.

...a restructured sales force backed by robust IT system

New projects: Soft Drinks Packaging Plant, Distribution Centre and Brew House



The strengths of the new sales force include a professional market approach with excellent backup in advertising, promotions, dispense and on-premise trade activities; consistent trading terms with all trade outlets; experienced sales team & management and a great portfolio of market leading brands. Initial results are very encouraging as we have managed to substantially increase the market penetration of our imported products whilst strengthening the availability of our locally produced beverages. This was also made possible as a result of the investment made over the years in a robust IT system which caters for the requirements of a modern sales force automation system.

...importation is contributing substantially to Group turnover and profitability

OUR OPERATIONS

In the knowledge that we needed to invest heavily in new plant facilities for soft drinks and brewing, we have, during this year, reorganised our operations management. We have appointed a project team reporting to a Chief Development Officer, composed of an architect, engineers and technical supervisors. Day to day operations are now managed by a separate technical team headed by a Chief Operations Officer and both these branches report to the Deputy to the CEO (Operations). This reorganisation entailed the recruitment of new technical management trainees.

Our recently announced investment plan that we are going to build a new Soft Drinks Packaging Plant, a new Distribution Centre and a new Brewhouse, was preceded by months of intensive study on these projects. The plan spans over a period of six years and work on the new soft drinks facility has already commenced. More details of these very significant and important plans for the future of the Group will be presented at the forthcoming Annual General Meeting.

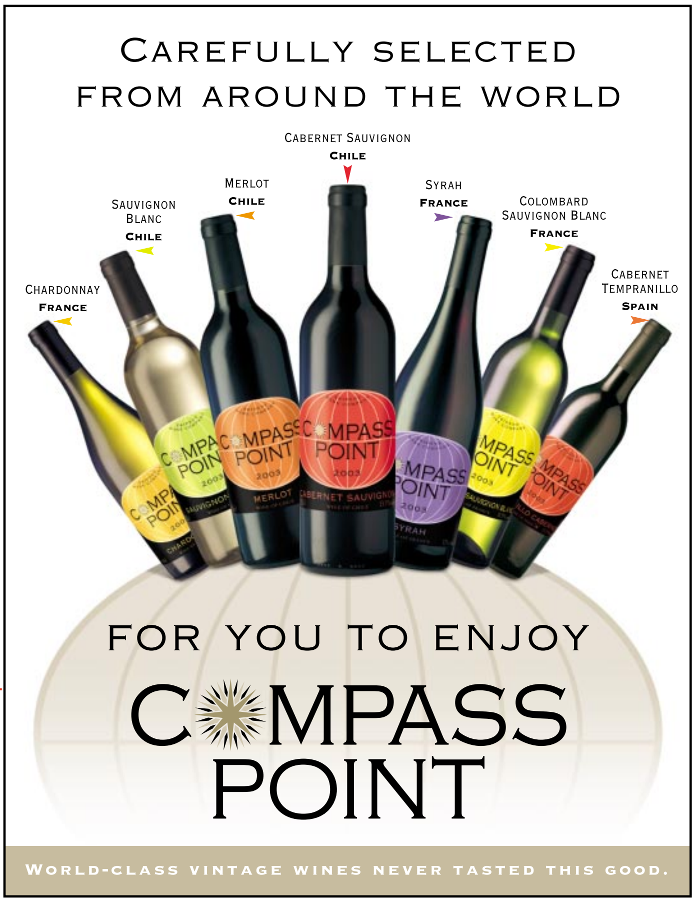
THE IMPORTATION OF FOOD, BEVERAGES, WINES & SPIRITS

We have developed our import sector in the last decade or so in the full knowledge that our market would one day be open to free trade. This has been an important development. The resultant effect is that this segment of our business has grown substantially. It now comprises 29% of our Group turnover. This strategy developed from our determination to buffer any adverse impact on our manufacturing business brought about by the removal of protective import levies.

Both Wands Limited and Anthony Caruana & Sons Limited have performed well in the wines, spirits and non-alcoholic importation business although, even in this sector, new market realities have to be faced every day. Both companies managed to maintain a very satisfactory market share with their strong product portfolio. For instance the emergence of parallel trading in Malta and the high level of excise duty on spirits when compared to neighbouring countries such as Italy, makes trading in the spirits sector, especially with leading brands, more difficult.

The discontinued entitlement of duty free purchases to travellers within EU has resulted in a substantial decrease in sales volumes to both companies. Part of the loss in sales has been made up by increases in domestic sales.

'Villa Tritone' and 'Compass Point' - new value-for-money wine brands owned by Trident Wines Limited



A major innovation for the Group was the launching of two of our own brands of wines produced and bottled in Chile, Argentina, France and Spain. Both 'Villa Tritone' and 'Compass Point' brands are owned by Trident Wines Limited – a fully owned subsidiary within the Group. The brands offer a value-for-money proposition to the Maltese wine consumer and allow the Company to source the best quality wines at the best prices from different regions around the world. Sales of both brands, in a fully liberalised wine market have been very satisfactory. The introduction of these brands offered the Group the possibility of entry in the value-for-money sector of the wine market, competing not only with other imported wines but also with the locally produced mainstream brands.

It is with a certain degree of pride that one registers the fact that a promotional campaign entitled "Life Beckons" undertaken by Wands Limited for Beck's beer was awarded the first prize against stiff competition from a number of markets, much larger than ours, at the AmBev International Promotion Awards. This award recognises the dedication and professionalism of the marketing team within the Group.

DANONE

Quintano Foods has to date returned a very satisfactory performance

In April 2004 we announced that we had acquired the business assets of Law Quintano, a well known food import business which had the rights to represent the Danone Group in Malta. In my opinion, this was a timely acquisition given the fact that imported dairy products were about to be freed from tariff barriers. The decision to enter this segment is in line with our declared strategy to utilise our group strengths in marketing, human resources and IT to develop our group activities.

This year's results cover nine months of this newly acquired business which now trades under a wholly owned subsidiary called Quintano Foods Limited. We are satisfied with the performance of this new company and this augurs well for the future of this business. It is Management's intention to continue strengthening the product portfolio of this Company and to invest further to update its facilities.

In November 2003 we also acquired the goodwill and stock of a wholesale and retail business trading under the name of Guido Vella Limited. I am afraid I have to report less than satisfactory results for this business. We have faced some one off costs due to our inexperience in this sector and which we are actively putting right. It is a difficult business with low margins and a need for strong controls. Nevertheless Guido Vella Limited has bought large amounts of products from our Group companies and to this extent it has been beneficial.

the main highlight for Burger King this year was the introduction of the Salads

Eco-Pure Premium Water Company Limited, our subsidiary which sells 19 litre water bottles for dispense, has once again turned in a very satisfactory result. Although market conditions have changed, loss of revenue from cooler rentals was amply made up by revenue from bottled water sales.

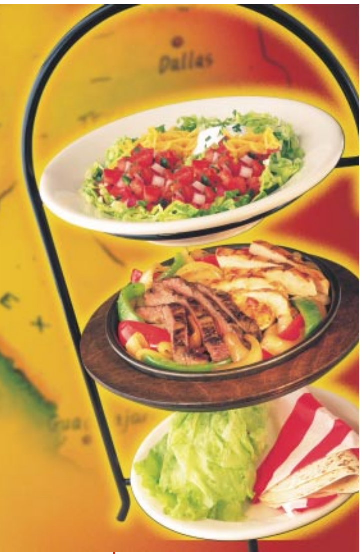
Encouraging signs are also being seen in our operation in Treviso in Veneto, Italy, where our subsidiary company, Vita Sana srl is operating. The number of installations made during the year shows that the targets set by the Company could be achieved within the next eighteen months.

FOOD FRANCHISING

During the year under review, Food Chain (Holdings) Limited has maintained its necessary focus on sales building through aggressive marketing, product innovation and operational initiatives. Several initiatives were taken to build the Burger King brand and customer loyalty. The Sliema restaurant was remodelled into the Americana concept, on the same lines as Burger King, Paceville. Since the refurbishment, the Sliema outlet registered a positive increase of 3% in sales when compared to the previous year. Management also focused on delivering value to the consumer by having the SuperStar Value Meal as a permanent feature in the menu. However, the main highlight for Burger King this year was the introduction of the Salads. In this way, new customers may be attracted to Burger King. A very proactive approach has been taken in the design of the menu boards by introducing calorie counts for each salad.

Pizza Hut, however, experienced a tough year. Management has identified and is addressing various issues which this particular franchise is facing. The three channels of Dine In, Take Away and Delivery have been integrated. We have continued to promote the Fast Lunch and Buy One and Get One Free offers. The highlight for Pizza Hut this year was the opening of a new restaurant in Bugibba, an important tourist hub

The highlight for Pizza Hut this year was the opening of a new restaurant in Bugibba



T.G.I. Friday's, our casual dining franchise has been well marketed this year

at the very heart of Bay Square. Pizza Hut is moving away from the fast food concept and aligning itself with the casual dining concept. To this extent the decoration and feel of the restaurant is different to our existing outlets and sets the benchmark for this new concept.

KFC has seen a substantial improvement in sales and profitability during the last quarter of the year. Several marketing initiatives have been made. Changes in the source of supply have helped to improve the quality of the product. Since this decision, we have experienced an increase in repeat visitors and sales. T.G.I. Friday's, our casual dining franchise has been well marketed this year and, in close collaboration with the Farsons and Wands' Marketing Executives, several initiatives have been taken. In particular, a special effort has been made to increase the popularity of the bar. We celebrated our 5th anniversary by organising a party and donating part of the takings to Caritas Malta. In November 2004 T.G.I. Friday's Malta hosted over 50 executives from Europe and the Middle East to the T.G.I. Friday's Regional Meeting. The main highlight of this event was the European Bartender Challenge, which was a first for Malta.

PROPERTY MANAGEMENT

The importance of the Group's property portfolio has been emphasised by your Board over the past few years. In fact, a wholly owned property owning subsidiary, Trident Developments Limited, was formed in October 2000. This year, a General Manager for this sector has been appointed. His role is to develop the rental income of properties owned by the Group to achieve the best possible return for the shareholders. The Management of the Galleria Shopping and Entertainment Complex also comes under his responsibilities. A special effort is underway to improve the results of this complex. Some success is being achieved. More management focus is needed and this is now happening.

Trident DEVELOPMENTS

Given the investment plan already announced, a substantial amount of property owned and utilised by the Group will be released in the years ahead. The Board of Trident Developments Limited is preparing a plan on how best to maximize the benefit to all shareholders and this plan will become known as and when decisions unfold.

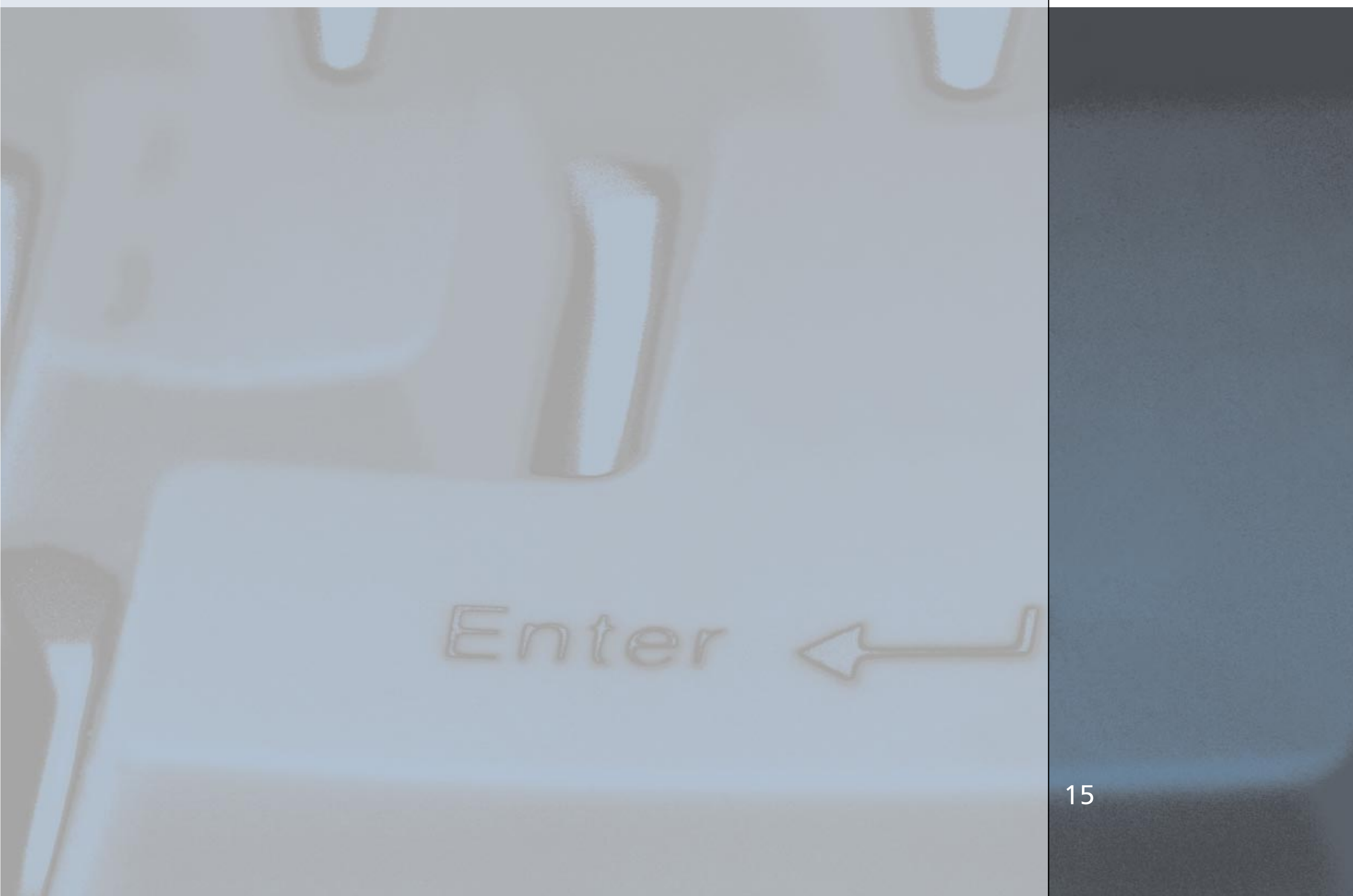
MEETING THE FUTURE CHALLENGES

Farsons shall move ahead and meet the challenges of a changing world

Given the complexity of the economic landscape outlined in my report I am satisfied with what we have achieved in this difficult year. We are fully aware that the road ahead is full of difficulties and hurdles and the investment plan that we have embarked on will be a challenge for the Group. However, the market scenario continues to change and there is no option except to face these challenges with a sound plan and quality products that consumers want at competitive prices.

We are therefore satisfied that in open and competitive markets we have risen to the test. It was always our belief that our programme of diversification, coupled with investment in all our resources, is the only way forward. We are steadfast in that, by persevering in this course and retaining our focus on the values and principles that have always guided this Group, Farsons shall move ahead and meet the challenges of a changing world.

Financial Statements



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 January 2005.

– PRINCIPAL ACTIVITIES –

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

– REVIEW OF THE BUSINESS –

Group turnover increased by 8% to Lm26,781,000 due to the consolidation of newly acquired businesses.

Group profit before taxation and minority interests amounted to Lm826,000. The results were affected by:

- A difficult economic environment with pressure on disposable income;
- Lower temperatures in the key summer months that resulted in lower sales volumes;
- A higher than expected initial loss in the newly formed business of Guido Vella Limited;
- Increased turnover and profits from the newly formed Quintano Foods Limited;
- A change in accounting policy on the valuation of investment property. This change has increased shareholders' reserves by Lm1,138,000, net of deferred tax.

– RESULTS AND DIVIDENDS –

The profit and loss accounts are set out on page 23.

The Directors have announced an interim dividend of Lm90,000 payable on 27 April 2005 to the Ordinary shareholders, and recommend the payment of a final dividend of Lm514,000. These dividends are being paid out of tax exempt profits resulting in a total net dividend to the Ordinary shareholders of Lm604,000, equivalent to 2c4 per share. Net dividends to the Ordinary shareholders with regard to the year ended 31 January 2004 amounted to Lm604,000, equivalent to 2c4 per share.

– DIRECTORS –

The Directors in office during the year ended 31 January 2005 were:

Mr. Bryan A. Gera D.B.A. – Chairman
Mr. Vincent Curmi C.P.A. – Vice-Chairman
Mr. Louis A. Farrugia F.C.A. – Group Chief Executive
Mr. Anthony P. Galdes M.O.M., B.A. (Hons.) Econ., F.C.I.B.
Mr. Luke L. Miceli
Marquis Marcus John Scicluna Marshall
Mr. Marcantonio Stagno d'Alcontres
Dr. Max Ganado LL.D.

Mr. Bryan A. Gera D.B.A. and Dr. Max Ganado LL.D., whose terms of appointment expire, retire from the Board and are eligible for re-election.

– POST BALANCE SHEET EVENT –

On 3 March 2005, the Directors of the Company approved an investment plan and modernisation programme that comprises the building of a new Soft Drinks Packaging Hall, a Distribution Centre and a new Brewhouse, amounting to Lm14 million over a six-year period, of which Lm5.6 million have already been authorised.

– AUDITORS –

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

By Order of the Board

Bryan A. Gera Chairman	Vincent Curmi Vice-Chairman	Louis A. Farrugia Group Chief Executive

The Brewery, Notabile Road, Mriehel, Malta.
27 April 2005

Corporate Governance - Statement of Compliance

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to Listing Rules 8.26 and 8.27 issued by the Malta Financial Services Authority and affirms the extent to which the Company has adopted the Code of Principles of Good Corporate Governance referred to in the said Rules as well as the measures taken to ensure compliance therewith.

Since its establishment in 1948 as a public limited liability company, SFC has always adopted a policy of universally accepted standards of good corporate governance including the requirement for transparency, proper accountability and fairness to shareholders. The Board of Directors has therefore endorsed the Code of Principles and adopted it except where particular circumstances, as explained in this Statement, exist to warrant non-adherence.

The aggregate maximum amount of emoluments payable to the Directors is fixed by an extraordinary resolution of the members as required by the Company's statute. These emoluments are being disclosed in the Remuneration Report in an aggregate format rather than as separate figures for each Director as required by the Code.

Subject to the foregoing, the Board considers that the Company has been in compliance with the Code throughout the year. The following is an outline of the extent to which the Principles have been adopted and of the consequent effective measures taken.

– 1. COMPOSITION OF BOARD OF DIRECTORS –

In terms of the statute of SFC, the affairs of the Company are managed and administered by a Board composed of eight Directors. Every shareholder owning twelve and a half percent (12.5%) Ordinary issued share capital or more, is entitled to appoint a Director for each and every twelve and a half percent of such shares, and the remaining Ordinary shares not so utilised are entitled to fill the remaining unfilled posts of Directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 46), normally elect two Directors for a total of six, the other two Directors then being elected by the general public shareholders. In these circumstances no individual or small group of individuals will be in a position to dominate the Board. The interests of the Directors in the shares of the Company are disclosed in this Annual Report.

The said statute provides for the Board to appoint from amongst its Directors a Chairman, a Vice-Chairman and a Managing Director. The latter is empowered by the Board to be fully responsible for the management of the business and affairs of the Company subject to the overall direction of the Board and to compliance with all statutory and Malta Financial Services Authority requirements. As such this Director is the Chief Executive Officer of the Group.

The Board is thus composed of a non-executive Chairman, a non-executive Vice-Chairman, an executive Managing Director as CEO and five other non-executive Directors. The non-executive Chairman, as well as one of the non-executive Directors, are independent as they have no relationship with management or with significant shareholders. 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.

Given the structure of the Company's shareholding and consequent entitlement to elect Directors as explained above, it is not considered that the setting up of a formal nomination committee to advise on the selection of suitable Directors or on succession and future composition of the Board is called for. It is in the interest of each of the three major blocks of 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 public shareholders at General Meetings, and who can bring in an independent viewpoint and particular knowledge to the deliberations of the Board.

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

In terms of the statute of SFC, no Director is entitled to vote at Board meetings on any proposal, issue, arrangement or contract in which he has a personal material interest.

Corporate Governance - Statement of Compliance (continued)

– 2. DIRECTORS' RESPONSIBILITIES –

As already stated, the Board of Directors has overall responsibility for managing the affairs of the Company, and has the power to transact all business of whatever nature within the terms of the Company's Memorandum and Articles of Association. The Board, in fulfilling this mandate 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.

In fulfilling its responsibilities, the Board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. To assist it in fulfilling its obligations, the Board has delegated responsibility to the Group Chief Executive (see 1 above):

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

The CEO reports regularly to the Board on the business and affairs of the Group and the commercial, economic and other risks 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.

In order to enable the CEO to carry out his functions properly, a Group Executive Board (GEB) over which he presides, was established in December 2001 to ensure effective overall management and control of Group business and proper co-ordination of the diverse activities undertaken by the various Business Units and Subsidiaries which make up the Group.

The three members of the GEB itself are senior SFC executives with long experience of the Group's business and proven professional ability, and each has a particular sphere of interest within his competence. The first Deputy to the CEO is in charge of Group marketing apart from being the Company Secretary. The second Deputy has overall responsibility for operational matters, and the third member is the Group Financial Controller.

Each Business Unit of the Company also has a management board composed of top executives of the Group. Each subsidiary has its own management structure and accounting systems and internal controls, and is governed by its own Board, whose members comprise SFC Directors and/or representatives of the GEB, and/or top management of SFC.

The above arrangements provide sufficient delegation of powers to achieve effective management, as well as an organisational structure which ensures that proper control and reporting systems are in place and maintained.

– 3. BOARD COMMITTEES –

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

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

Related Party Transactions Committee, presided over by the non-executive Chairman, 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. During the current year, control mechanisms relevant to the reporting of related party transactions have been strengthened by ensuring that information is vetted and collated on a timely basis, before reporting to the Related Party Transactions Committee for independent and final review of the transactions concerned.

Audit Committee, chaired by a non-executive Director, assists the Board in carrying out an independent appraisal of and giving advice on internal control systems and procedures, financial reporting and compliance with regulatory and legal requirements. A Group Internal Audit department was established in September 1993 and works on the basis of a planned schedule of inspections and examination of issues and on ad hoc assignments as it may deem to be expedient or as are referred to it. The Group Internal Auditor liaises with the external auditors as may be necessary and, has right of direct access to the Chairman of the Committee at all times and is responsible to and reports directly to the Audit Committee.

Apart from ad hoc meetings to consider the six monthly financial results and the annual financial statements, the Committee meets as often as necessary to discuss formal reports remitted by the Group Internal Auditor on Group operations as well as on internal control procedures or other issues as may arise during the year. On 23 November 2004, the Listing Authority confirmed that the Audit Committee of SFC, conforms with the requirements of MFSA Listing Rule 8.65.1 in terms of its independence.

Remuneration Committee is presided over by the non-executive Chairman of the Company. Its terms of reference are to review from time to time and to report and make recommendations on the non-executive Directors' remuneration generally as well as on the CEO's conditions of service. In the case of the CEO or of any remuneration to an individual Director for extra services, the interested Director concerned, apart from not voting in terms of the SFC statute, does not attend the meeting during the discussion at Committee or Board level and decisions are therefore taken in his absence. The Committee is also required to evaluate, recommend and report on any proposals made by the Group Human Resources Manager relating to management remuneration and conditions of service.

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

Apart from the above, non-executive Directors chair the Farsons Foundation which was established by public deed on 22 March 1995 to promote Maltese culture, heritage and talent, and the Pensions Board established under the Staff Pensions Scheme which is applicable only to a diminishing number of employees and to existing pensioners. Both the Foundation and the Scheme are entirely funded by subventions authorised by the SFC Board.

– 4. GOING CONCERN –

After making enquiries, the Directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Group and the 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.

– 5. COMMUNICATIONS WITH SHAREHOLDERS AND MARKETS –

Within six months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the Annual Financial Statements, the Directors' and Auditors' Report for the year, to decide on dividends recommended by the Board, to elect the Directors and appoint the Auditors. Prior to the commencement of the Annual General Meeting, a presentation is made to shareholders on the progress made and strategies adopted during the year in the light of prevailing market and economic conditions and the objectives set by the Board, and an assessment on future prospects is given. The Group's presence on the worldwide web (**www.farsons.com**) contains a corporate information section.

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

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

Approved by the Board of Directors on 27 April 2005 and signed on its behalf by:

Bryan A. Gera Chairman	Vincent Curmi Vice-Chairman	Louis A. Farrugia Group Chief Executive

Remuneration Report

– DIRECTORS –

Except for the CEO, no other Director is employed or has a service contract with the Company or any of its subsidiaries. The remuneration of the other Directors is determined on the basis of their responsibilities, time committed to the Group's affairs, including attendance at regular Board Meetings, serving on Boards of Subsidiary and Associated companies and work done in connection with the various sub-committees of which they are members.

The Managing Director is engaged on a definite contract which envisages renewal by the consent of both the CEO and the rest of the Board. A fixed salary is payable, but at the beginning of each financial year the Board fixes the amount of a performance bonus which is based on the Group's budgeted profit for that year. The Company has the right to terminate the contract against compensation equivalent to one year's salary.

No Director (including the Managing Director) is entitled to profit sharing, share options or pension benefits, and there are no outstanding loans or guarantees provided by the Company or any of its subsidiaries to any Director. The following is an outline of the Directors' remuneration for the financial year under review:

Directors' fees	Lm40,000
Directors' other emoluments	Lm96,000

– SENIOR MANAGEMENT –

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

The Group's Human Resources Manager reports and makes recommendations periodically to the Board on the remuneration package, including bonus arrangements for achieving pre-determined targets. There are no profit sharing, share options or pension benefit arrangements.

Report of the Auditors on the Statement of Compliance on Corporate Governance

To the Members of Simonds Farsons Cisk plc pursuant to Listing Rule 8.28 issued by the Listing Authority

Listing Rules 8.26 and 8.27 issued by the Listing Authority require the Company's Directors to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with those Principles.

Our responsibility, as auditors of the Group, is laid down by Listing Rule 8.28 issued by the Listing Authority which requires us to include a report on the Statement of Compliance.

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

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

In our opinion, the Statement of Compliance set out on pages 17 to 19 has been properly prepared in accordance with the requirements of Listing Rules 8.26 and 8.27 issued by the Listing Authority.

PRICEWATERHOUSECOOPERS

167, Merchants Street, Valletta, Malta

27 April 2005

Statement of Directors' Responsibilities

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

In preparing the financial statements, the Directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards;
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

To the Members of Simonds Farsons Cisk plc

We have audited the financial statements on pages 23 to 47. As described in the statement of Directors' responsibilities above, these financial statements are the responsibility of the Company's Directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 January 2005 and of the profit, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167, Merchants Street, Valletta, Malta.

27 April 2005

Profit and Loss Accounts Year ended 31 January 2005

		Group		Company	
		2005	2004	**2005**	2004
	Notes	**Lm'000**	Lm'000 (restated)	**Lm'000**	Lm'000
Turnover	1	**26,781**	24,725	**15,604**	15,682
Cost of sales		**(16,937)**	(15,262)	**(8,849)**	(8,255)
Gross profit		**9,844**	9,463	**6,755**	7,427
Selling and distribution costs		**(4,336)**	(3,890)	**(3,499)**	(3,491)
Administrative expenses		**(4,174)**	(3,781)	**(2,107)**	(2,273)
Operating profit	2	**1,334**	1,792	**1,149**	1,663
Fair value gains on investment property	11	**269**	125	**-**	-
Investment income	4	**20**	28	**228**	103
Interest payable	5	**(805)**	(808)	**(652)**	(701)
Share of profits of Associated undertakings	13	**8**	-	**-**	-
Profit on ordinary activities before tax		**826**	1,137	**725**	1,065
Tax on profit on ordinary activities	6	**(217)**	1,441	**(8)**	1,621
Profit before minority interest		**609**	2,578	**717**	2,686
Minority interest	23	**15**	112	**-**	-
Net profit for the financial year		**624**	2,690	**717**	2,686
Earnings per share	7	**2c4**	10c5	**2c8**	10c4

Balance Sheets At 31 January 2005

	Notes	Group 2005 Lm'000	Group 2004 Lm'000 (restated)	Company 2005 Lm'000	Company 2004 Lm'000
– ASSETS –					
Fixed assets					
Intangible assets	9	**1,772**	1,096	**718**	817
Tangible assets					
Property, plant and equipment	10	**16,438**	15,878	**7,731**	9,073
Investment property	11	**3,009**	2,740	**-**	-
Financial assets					
Investments in Group undertakings	12	**-**	-	**7,578**	7,327
Investments in Associated undertakings	13	**9**	1	**1**	1
Investments - Originated loans	14	**-**	-	**890**	890
Investments - Available-for-sale	15	**3**	-	**-**	-
		21,231	19,715	**16,918**	18,108
Current assets					
Stocks	16	**6,656**	6,096	**3,824**	3,984
Debtors	17	**8,034**	7,466	**9,353**	7,946
Tax recoverable		**35**	25	**-**	-
Cash at bank and in hand		**344**	229	**45**	32
		15,069	13,816	**13,222**	11,962
Total assets		**36,300**	33,531	**30,140**	30,070
– EQUITY AND LIABILITIES –					
Capital and reserves					
Called up issued share capital	18	**3,214**	3,214	**3,214**	3,214
Share premium		**892**	892	**892**	892
Other reserves	19	**5,422**	5,247	**4,284**	4,284
Profit and loss account		**6,180**	6,335	**7,279**	7,166
		15,708	15,688	**15,669**	15,556
Minority interest	23	**219**	234	**-**	-
		15,927	15,922	**15,669**	15,556
Provisions for liabilities and charges					
Deferred tax	20	**267**	167	**-**	-
Creditors: Amounts falling due after more than one year					
Interest-bearing borrowings	21	**9,965**	9,527	**8,940**	9,452
Creditors: Amounts falling due within one year					
Interest-bearing borrowings	21	**5,033**	3,115	**2,659**	2,238
Trade and other creditors	22	**5,001**	4,691	**2,866**	2,824
Current tax		**107**	109	**6**	-
		10,141	7,915	**5,531**	5,062
Total creditors		**20,106**	17,442	**14,471**	14,514
Total equity and liabilities		**36,300**	33,531	**30,140**	30,070

The financial statements on pages 23 to 47 were authorised for issue by the Board of Directors on 27 April 2005 and were signed on its behalf by:

Bryan A. Gera
Chairman

Vincent Curmi
Vice-Chairman

Louis A. Farrugia
Group Chief Executive

Statements of Changes in Equity Year ended 31 January 2005

	Notes	Share capital Lm'000	Share premium Lm'000	Other reserves Lm'000	Profit and loss account Lm'000	Total Lm'000
– GROUP –						
Balance at 1 February 2003						
- as previously reported		3,214	892	4,284	4,148	12,538
- effect of change in accounting policy		-	-	1,357	38	1,395
- deferred tax thereon		-	-	(475)	-	(475)
- as restated		3,214	892	5,166	4,186	13,458
Profit for the financial year – restated for the effect of change in accounting policy		-	-	-	2,690	2,690
Transfer of fair value gains on investment property, net of deferred tax	19	-	-	81	(81)	-
Dividends relating to 2003	8	-	-	-	(460)	(460)
Balance at 31 January 2004		**3,214**	**892**	**5,247**	**6,335**	**15,688**
Balance at 1 February 2004						
- as previously reported		3,214	892	4,284	6,288	14,678
- effect of change in accounting policy		-	-	1,482	47	1,529
- deferred tax thereon		-	-	(519)	-	(519)
- as restated		3,214	892	5,247	6,335	15,688
Profit for the financial year		-	-	-	624	624
Transfer of fair value gains on investment property, net of deferred tax	19	-	-	175	(175)	-
Dividends relating to 2004	8	-	-	-	(604)	(604)
Balance at 31 January 2005		**3,214**	**892**	**5,422**	**6,180**	**15,708**
– COMPANY –						
Balance at 1 February 2003		3,214	892	4,284	4,940	13,330
Profit for the financial year		-	-	-	2,686	2,686
Dividends relating to 2003	8	-	-	-	(460)	(460)
Balance at 31 January 2004		**3,214**	**892**	**4,284**	**7,166**	**15,556**
Balance at 1 February 2004		3,214	892	4,284	7,166	15,556
Profit for the financial year		-	-	-	717	717
Dividends relating to 2004	8	-	-	-	(604)	(604)
Balance at 31 January 2005		**3,214**	**892**	**4,284**	**7,279**	**15,669**

Cash Flow Statements Year ended 31 January 2005

		Group		Company	
		2005	2004	**2005**	2004
	Notes	**Lm'000**	Lm'000	**Lm'000**	Lm'000
Operating activities					
Cash generated from operations	24	**1,942**	4,426	**2,108**	2,676
Interest received		**20**	28	**228**	103
Interest paid		**(805)**	(808)	**(652)**	(701)
Tax paid		**(129)**	(181)	**(2)**	(51)
Net cash from operating activities		**1,028**	3,465	**1,682**	2,027
Investing activities					
Acquisition of intangible fixed assets		**(14)**	(53)	**-**	-
Purchase of property, plant and equipment		**(1,134)**	(1,508)	**(792)**	(1,278)
Proceeds from disposal of property, plant and equipment		**93**	76	**77**	46
Purchase of investment property		**-**	(110)	**-**	-
Business acquisitions, including cash and cash equivalents acquired	26	**(1,599)**	(346)	**-**	-
Movements in investments in Group undertakings		**-**	4	**(251)**	(190)
Increase in loans to Group undertakings		**-**	-	**-**	(890)
Increase in available-for-sale investments		**(3)**	-	**-**	-
Net cash used in investing activities		**(2,657)**	(1,937)	**(966)**	(2,312)
Financing activities					
Proceeds from short and long-term borrowings		**1,343**	357	**343**	357
Payments of short and long-term borrowings		**(930)**	(1,733)	**(832)**	(584)
Dividends paid		**(604)**	(460)	**(604)**	(460)
Net cash used in financing activities		**(191)**	(1,836)	**(1,093)**	(687)
Movement in cash and cash equivalents		**(1,820)**	(308)	**(377)**	(972)
Cash and cash equivalents at beginning of year		**(1,945)**	(1,637)	**(1,373)**	(401)
Cash and cash equivalents at end of year	25	**(3,765)**	(1,945)	**(1,750)**	(1,373)

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1. BASIS OF PREPARATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards and comply with the Companies Act, 1995. The consolidated financial statements are prepared under the historical cost convention as modified by the fair valuation of investment property and except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The early adoption in 2005 of IFRS 3, *Business Combinations*, resulted because of acquisitions arising during the year, which occurred after this accounting standard became effective. This early adoption impacted the accounting policy applied to goodwill arising on the Group's past acquisitions.

Until 31 January 2004, goodwill was amortised on a straight line basis over its estimated useful life, ranging between 5 and 10 years, and was assessed for an indication of impairment at each balance sheet date. In accordance with the provisions of IFRS 3 (Accounting policy 5), the Group ceased the amortisation of goodwill as from 1 February 2004. Accumulated amortisation as at 31 January 2004 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 January 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The early adoption of IFRS 3 required that the Group simultaneously applies IAS 36 (revised 2004) and IAS 38 (revised 2004). The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38 (revised 2004). No adjustment resulted from this reassessment or from the early adoption of IAS 36 (revised 2004).

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards.

2. CONSOLIDATION

(a) Group undertakings

Group undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Group undertakings 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 purchase method of accounting is used to account for the acquisition of Group undertakings by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the Group undertaking acquired, the difference is recognised directly in the profit and loss account (see Accounting policy 5).

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

A listing of the Group's undertakings is set out in note 12 to the financial statements.

(b) Associated undertakings

Associated undertakings are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in Associated undertakings are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in Associated undertakings includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Accounting policy 5).

The Group's share of its Associated undertakings' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an Associated undertaking equals or exceeds its interest in the Associated undertaking, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associated undertaking. Unrealised gains on transactions between the Group and its Associated undertakings are eliminated to the extent of the Group's interest in the Associated undertakings. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of Associated undertakings have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's Associated undertakings is set out in note 13 to the financial statements.

3. REVENUE RECOGNITION

Sales are recognised upon delivery of products or performance of services and, are reported in the financial statements as turnover, net of sales taxes and discounts. Other revenues earned by the Group are recognised on the following basis:

Interest income – as it accrues, unless collectibility is in doubt.

Dividend income – when the shareholder's right to receive payment is established.

4. FOREIGN CURRENCIES

Transactions in foreign currencies have been converted into Maltese Liri at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into Maltese Liri at the rates of exchange ruling at the balance sheet date. All resulting differences are taken to the profit and loss account.

The Group enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions. Further information is disclosed in Accounting policy 22 – Accounting for derivative financial instruments and hedging activities.

5. INTANGIBLE FIXED 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 Group/Associated undertaking or business concern at the date of acquisition. Goodwill on acquisitions of Group undertakings/business concerns is included in intangible assets. Goodwill on acquisitions of Associated undertakings is included in investments in Associated undertakings. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Accounting Policies (continued)

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 (Accounting policy 8).

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

Where an indication of impairment exists, in that the carrying amount of an intangible fixed asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy 8).

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, are stated at cost less depreciation.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy 8).

Depreciation is calculated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

- Buildings 0.67% - 2.00%
  (on buildings erected on freehold and leasehold land, depreciation is charged from date of completion of original construction or acquisition of property)
- Plant, machinery and equipment 5.00% - 33.33%

Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated. Leased properties are depreciated over the period of the lease.

7. INVESTMENT PROPERTY

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

Until the financial year ended 31 January 2004, the Group's investment property was stated in the balance sheet at cost less accumulated depreciation and impairment charges. As from 2005, there was a change in the accounting policy and investment property is carried at fair value. Following the change in accounting policy, the carrying value of investment property had to be restated. The resulting change in the accounting treatment had a material effect on the financial statements and comparative information has been restated accordingly, in line with the requirements of IAS 8, *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed periodically by the Group Directors.

The fair value of investment property reflects, among other factors, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred. Changes in fair values are recorded in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

8. IMPAIRMENT OF 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 net selling price 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).

9. INVESTMENTS – ORIGINATED LOANS

Investments acquired by the Group or Company on original issuance, that is, directly from the issuer, are categorised as loans originated by the Group or Company. These investments are initially recorded at cost, that is the fair value of the proceeds given, and are subsequently measured at amortised cost. The Directors determine the appropriate classification of these investments at the time of the purchase and re-evaluate such designation on a regular basis.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

10. INVESTMENTS – AVAILABLE-FOR-SALE

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available-for-sale assets. Such investments are included in fixed assets unless management has the express intention of holding the assets for less than twelve months from the balance sheet date. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on a regular basis.

All available-for-sale assets are initially recognised at cost (which includes transaction costs). These financial assets are subsequently remeasured at fair value based on Directors' valuation, in most cases by reference to the net assets backing of the investee. Unrealised gains and losses arising from changes in the fair value of the assets classified as available-for-sale are recognised in equity. When the assets are disposed of or impaired, the related accumulated fair value adjustments are transferred to the profit and loss account.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at fair value is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the current market rate of interest of similar financial assets.

All regular way purchases and sales of all available-for-sale assets are recognised at settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between trade date and settlement date.

11. STOCKS
Stocks are stated at the lower of cost and net realisable value. Stock of raw materials is determined by 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 amortise the costs over their estimated useful lives.

12. TRADE DEBTORS
Trade debtors are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the set original terms.

13. CASH AND CASH EQUIVALENTS
Cash and cash equivalents are carried in the balance sheet at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

14. DEFERRED TAX
Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Under this method the Group is required to make provision for deferred income taxes on the fair valuation of investment property.

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

15. PROVISIONS
Provisions 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.

16. EQUITY
Dividends on Ordinary shares are recognised in equity in the period in which they are announced.

Issue costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

17. BORROWINGS
Borrowings are recognised initially at the proceeds received, net of issue costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of issue costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective yield method.

18. OTHER FINANCIAL INSTRUMENTS
The Group's other financial assets, which have not been referred to in the accounting policies disclosed above, are classified as loans and receivables originated by the Group in accordance with the requirements of IAS 39 and are measured at cost, that is, the face value of these assets. All regular way transactions in assets classified in this category are accounted for using settlement date accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from collateral, discounted based on the interest rate at inception.

The Group's financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ("other liabilities") under IAS 39, and are measured at cost, that is, the face value of such instruments.

19. OFFSETTING FINANCIAL INSTRUMENTS
Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

20. BORROWING COSTS
Borrowing costs incurred on major fixed asset projects prior to their commissioning are capitalised as part of the cost of the asset. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings. All other borrowing costs are recognised in the profit and loss account as incurred.

21. OPERATING LEASES
(a) Where a Group company is a lessee

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

(b) Where a Group company is a lessor

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

22. ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the profit and loss account, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the profit and loss account and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the profit and loss account.

The fair value of foreign exchange forward contracts is determined by using forward exchange market rates at the balance sheet date.

23. SEGMENT REPORTING
Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

Notes to the Financial Statements

– 1. SEGMENT INFORMATION –

	Brewing, production & sale of branded beers & beverages Lm'000	Importation, wholesale & retail of food & beverages, including wines & spirits Lm'000	Operation of franchised food retailing establishments Lm'000	Property management Lm'000	Group Lm'000
2005					
Turnover	16,874	9,960	2,986	571	**30,391**
Less: inter-divisional sales	(1,024)	(2,266)	-	(320)	**(3,610)**
	15,850	7,694	2,986	251	**26,781**
Segment result	1,552	435	89	(142)	**1,934**
Unallocated costs					**(600)**
Operating profit					**1,334**
Fair value gains on investment property	-	-	-	269	**269**
Investment income					**20**
Interest payable					**(805)**
Share of profits of Associated undertakings					**8**
Profit on ordinary activities before tax					**826**
Tax on profit on ordinary activities					**(217)**
Profit before minority interest					**609**
Minority interest					**15**
Net profit for the financial year					**624**
Segment assets	19,665	7,602	3,349	5,675	**36,291**
Associated undertakings	-	-	-	9	**9**
Total assets					**36,300**
Segment liabilities	2,912	1,174	545	370	**5,001**
Unallocated liabilities					**15,372**
Total liabilities					**20,373**
Capital expenditure	856	2,334	212	26	**3,428**
Depreciation	1,454	67	201	169	**1,891**
Impairment of property, plant and equipment	-	-	37	-	**37**
Amortisation	107	88	23	-	**218**
Impairment charge for bad and doubtful debts	(32)	83	-	3	**54**

– 1. SEGMENT INFORMATION (continued) –

	Brewing, production & sale of branded beers & beverages Lm'000	Importation, wholesale & retail of food & beverages, including wines & spirits Lm'000	Operation of franchised food retailing establishments Lm'000	Property management Lm'000 (restated)	**Group Lm'000 (restated)**
2004					
Turnover	16,144	6,237	3,061	503	**25,945**
Less: inter-divisional sales	(231)	(695)	-	(294)	**(1,220)**
	15,913	5,542	3,061	209	**24,725**
Segment result	2,087	350	138	(130)	**2,445**
Unallocated costs					**(653)**
Operating profit					**1,792**
Fair value gains on investment property	-	-	-	125	**125**
Investment income					**28**
Interest payable					**(808)**
Profit on ordinary activities before tax					**1,137**
Tax on profit on ordinary activities					**1,441**
Profit before minority interest					**2,578**
Minority interest					**112**
Net profit for the financial year					**2,690**
Segment assets	20,035	4,360	3,522	5,613	**33,530**
Associated undertakings	-	-	-	1	**1**
Total assets					**33,531**
Segment liabilities	3,047	952	305	387	**4,691**
Unallocated liabilities					**12,918**
Total liabilities					**17,609**
Capital expenditure	1,408	43	84	157	**1,692**
Depreciation	1,530	30	255	160	**1,975**
Amortisation	136	36	24	1	**197**
Impairment charge for bad and doubtful debts	48	10	-	2	**60**

The Group's operations consist of the brewing, production and sale of branded beers and beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, the operation of franchised food retailing establishments, and property management. These operations are carried out, primarily, on the local market and therefore segmental reporting is only shown on the basis of business segments.

Segment assets consist primarily of land and buildings, investment property, plant, machinery and equipment, intangible fixed assets, stocks, receivables and cash at bank and in hand. Segment liabilities comprise trade and other creditors and exclude tax and borrowings. Capital expenditure comprises additions to land and buildings, investment property, plant, machinery and equipment and intangible fixed assets including additions resulting from acquisitions (note 26 refers).

Notes to the Financial Statements (continued)

– 2. OPERATING PROFIT –

Operating profit is stated after (crediting)/charging:

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000 (restated)	**Lm'000**	Lm'000
Foreign exchange differences	**(44)**	(55)	**(18)**	(2)
Directors' fees	**40**	40	**22**	25
Directors' other emoluments	**96**	86	**77**	70
Staff costs (note 3)	**5,993**	5,523	**4,045**	3,916
Profit on disposal of property, plant and equipment	**(39)**	(34)	**(37)**	(25)
Depreciation of property, plant and equipment (note 10)	**1,891**	1,975	**1,342**	1,484
Amortisation of intangible fixed assets (note 9)	**210**	189	**99**	107
Amortisation of bond issue costs (note 21)	**8**	8	**8**	8
Impairment of property, plant and equipment (note 10)	**37**	-	**-**	-
Auditors' remuneration	**33**	27	**11**	10
Impairment charge for bad and doubtful debts	**54**	60	**45**	44
Bad debts	**148**	12	**141**	-
Property rentals payable	**147**	158	**40**	48
Operating motor vehicles lease rentals payable	**115**	91	**90**	78

– 3. STAFF COSTS –

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Wages and salaries	**5,577**	5,126	**3,747**	3,621
Social security costs	**401**	382	**283**	280
Other pension costs	**15**	15	**15**	15
	5,993	5,523	**4,045**	3,916

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

	Group		Company	
	2005	2004	**2005**	2004
Brewing, production and sale of branded beers and beverages	**533**	529	**505**	505
Importation, wholesale and retail of food and beverages, including wines and spirits	**111**	59	**-**	-
Operation of franchised food retailing establishments	**206**	200	**-**	-
Property management	**3**	4	**-**	-
	853	792	**505**	505

– 4. INVESTMENT INCOME –

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Interest on loans to and amounts owed by Group undertakings	**-**	-	**208**	92
Other interest receivable	**20**	28	**20**	11
	20	28	**228**	103

– 5. INTEREST PAYABLE –

	Group 2005 Lm'000	Group 2004 Lm'000	Company 2005 Lm'000	Company 2004 Lm'000
Bank loans and overdrafts	**376**	376	**251**	275
Bonds	**389**	389	**389**	389
Other	**40**	43	**12**	37
	805	808	**652**	701

– 6. TAX ON PROFIT ON ORDINARY ACTIVITIES –

	Group 2005 Lm'000	Group 2004 Lm'000 (restated)	Company 2005 Lm'000	Company 2004 Lm'000
Current tax charge/(credit)	**117**	(5)	**8**	(106)
Deferred tax charge/(credit) (note 20)	**100**	(1,436)	**-**	(1,515)
Tax charge/(credit)	**217**	(1,441)	**8**	(1,621)

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 2005 Lm'000	Group 2004 Lm'000 (restated)	Company 2005 Lm'000	Company 2004 Lm'000
Profit on ordinary activities before tax	**826**	1,137	**725**	1,065
Tax on ordinary profit at 35%	**289**	398	**253**	372
Tax effect of:				
Benefits available under the Business Promotion Act, including reduced rates of tax, investment tax credits and allowances	**(754)**	(1,411)	**(754)**	(1,411)
Changes to the opening tax provisions due to benefits under the Business Promotion Regulations, 2001	**-**	(1,750)	**-**	(1,621)
Unrecognised deferred tax assets	**516**	1,248	**446**	1,004
Non allowable expenses	**136**	88	**67**	47
Income not subject to tax	**-**	(12)	**-**	(12)
Other differences	**30**	(2)	**(4)**	-
Tax charge/(credit)	**217**	(1,441)	**8**	(1,621)

Notes to the Financial Statements (continued)

– 7. EARNINGS PER SHARE –

Earnings per share is based on the profit after tax attributable to the Ordinary 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		Company	
	2005	2004 (restated)	**2005**	2004
Net profit attributable to Ordinary shareholders (Lm'000)	**624**	2,690	**717**	2,686
Weighted average number of Ordinary shares in issue (thousands)	**25,714**	25,714	**25,714**	25,714
Earnings per share	**2c4**	10c5	**2c8**	10c4

– 8. DIVIDENDS –

	Company	
	2005 Lm'000	2004 Lm'000
Ordinary shares		
Interim dividend	**90**	70
Final dividend	**514**	390
Total net dividends	**604**	460
Cents per share (net)	**2c4**	1c8

The interim dividend of Lm90,000 and the final dividend of Lm514,000 in respect of the year ended 31 January 2004, were announced to the Ordinary shareholders on 26 March 2004 and 28 April 2004 respectively. These dividends were paid out of tax exempt profits.

An interim dividend of Lm90,000 was announced on 30 March 2005 and is payable to the Ordinary shareholders on 27 April 2005. At the forthcoming Annual General Meeting, a final dividend of Lm514,000 in respect of the financial year ended 31 January 2005 is to be proposed. These dividends are being paid out of tax exempt profits resulting in a total net dividend to the Ordinary shareholders of Lm604,000, equivalent to 2c4 per share. These financial statements do not reflect these dividends payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2006.

– 9. INTANGIBLE FIXED ASSETS –

Group	Goodwill Lm'000	Franchise & agency rights Lm'000	**Total Lm'000**
Year ended 31 January 2005			
Opening net book amount	170	926	**1,096**
Acquisitions (note 26)	284	588	**872**
Additions	-	14	**14**
Amortisation	-	(210)	**(210)**
Closing net book amount	454	1,318	**1,772**
At 31 January 2005			
Cost	454	1,912	**2,366**
Accumulated amortisation	-	(594)	**(594)**
Net book amount	454	1,318	**1,772**
At 31 January 2004			
Cost	170	1,310	**1,480**
Accumulated amortisation	-	(384)	**(384)**
Net book amount	170	926	**1,096**

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:

	2005 Lm'000	2004 Lm'000
Brewing, production and sale of branded beers & beverages	**82**	82
Importation, wholesale and retail of food & beverages, including wines & spirits	**372**	88
Net book amount	**454**	170

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations.

	Company	
	2005 Lm'000	2004 Lm'000
Franchise rights		
Year ended 31 January		
Opening net book amount	**817**	924
Amortisation	**(99)**	(107)
Closing net book amount	**718**	817
At 31 January		
Cost	**1,031**	1,031
Accumulated amortisation	**(313)**	(214)
Net book amount	**718**	817

Notes to the Financial Statements (continued)

– 10. PROPERTY, PLANT AND EQUIPMENT –

Group	Land & buildings Lm'000	Plant, machinery & equipment Lm'000	Total Lm'000
Year ended 31 January 2005			
Opening net book amount	8,283	7,595	**15,878**
Acquisitions (note 26)	1,299	109	**1,408**
Additions	200	934	**1,134**
Disposals	(30)	(156)	**(186)**
Depreciation	(174)	(1,717)	**(1,891)**
Impairment charge	(26)	(11)	**(37)**
Depreciation released on disposal	2	130	**132**
Closing net book amount	9,554	6,884	**16,438**
At 31 January 2005			
Cost	11,697	32,650	**44,347**
Accumulated depreciation	(2,143)	(25,766)	**(27,909)**
Net book amount	9,554	6,884	**16,438**
At 31 January 2004			
Cost	10,228	31,763	**41,991**
Accumulated depreciation	(1,945)	(24,168)	**(26,113)**
Net book amount	8,283	7,595	**15,878**

Bank borrowings are secured by the Group's property, plant and equipment (note 21 refers).

The impairment charge for the year ended 31 January 2005 is attributable to an outlet within the activities of a Group undertaking involved in the franchised food retailing business. The related tangible assets have been written down to their estimated recoverable amounts. The recoverable amount (the higher of the value in use and net selling price) was determined at the individual asset level and represents the net selling price, determined by reference to market prices for equivalent assets.

Company	Land & buildings Lm'000	Plant, machinery & equipment Lm'000	Total Lm'000
Year ended 31 January 2005			
Opening net book amount	2,922	6,151	**9,073**
Additions	162	630	**792**
Disposals	(153)	(4,127)	**(4,280)**
Depreciation	(74)	(1,268)	**(1,342)**
Depreciation released on disposal	23	3,465	**3,488**
Closing net book amount	2,880	4,851	**7,731**
At 31 January 2005			
Cost	4,236	24,113	**28,349**
Accumulated depreciation	(1,356)	(19,262)	**(20,618)**
Net book amount	2,880	4,851	**7,731**
At 31 January 2004			
Cost	4,227	27,610	**31,837**
Accumulated depreciation	(1,305)	(21,459)	**(22,764)**
Net book amount	2,922	6,151	**9,073**

Bank borrowings are secured by the Company's property, plant and equipment (note 21 refers).

During the year ended 31 January 2005, the Company transferred property, plant and equipment with a cost of Lm4,131,000 and accumulated depreciation of Lm3,379,000 to a Group undertaking following the transfer of the selling and distribution activities within the Company and other Group undertakings to Farsons (Sales & Marketing) Limited. These transfers are included with the disposals noted above.

– 11. INVESTMENT PROPERTY –

	Group 2005 Lm'000	Group 2004 Lm'000 (restated)	Company 2005 Lm'000	Company 2004 Lm'000
Year ended 31 January				
Opening net book amount				
- as previously reported	**1,211**	820	**-**	-
- effect of change in accounting policy	**1,529**	1,395	**-**	-
- as restated	**2,740**	2,215	**-**	-
Additions	**-**	110	**-**	-
Transfer from property, plant and equipment	**-**	290	**-**	-
Fair value gains for the year	**269**	125	**-**	-
Closing net book amount	**3,009**	2,740	**-**	-
At 31 January				
Cost	**1,258**	1,258	**-**	-
Fair value gains	**1,751**	1,482	**-**	-
Net book amount	**3,009**	2,740	**-**	-

Investment property is valued annually on 31 January at fair value comprising open market value approved by the Directors on the basis of an independent professional valuation prepared by the Group's architects.

The Group's policy of accounting for investment property was changed during the year so as to conform with the Group decision and strategy as announced after the year end (note 31 refers). This has necessitated the restatement of the opening investment property balance as at 1 February 2004. Comparative figures for 2004 have been adjusted accordingly. The change in policy increased Group current year's profit before tax by Lm278,000 and that for 2004 by Lm134,000.

Leased assets included above, where the Group is a lessor, comprising property leased out under operating leases, have a carrying amount of Lm1,075,000 (2004: Lm1,058,000).

If the investment property were stated on the historical cost basis, the amounts would be as follows:

	Group 2005 Lm'000	Group 2004 Lm'000	Company 2005 Lm'000	Company 2004 Lm'000
At 31 January				
Cost	**1,258**	1,258	**-**	-
Accumulated depreciation	**(56)**	(47)	-	-
Net book amount	**1,202**	1,211	**-**	-

Bank borrowings are secured by the Group's investment property (note 21 refers).

Notes to the Financial Statements (continued)

– 12. INVESTMENTS IN GROUP UNDERTAKINGS –

	Company 2005 Lm'000	Company 2004 Lm'000
Year ended 31 January		
Opening net book amount	**7,327**	7,137
Additions	**251**	190
Closing net book amount	**7,578**	7,327
At 31 January		
Cost	**8,128**	7,877
Provision for diminution in value	**(550)**	(550)
Net book amount	**7,578**	7,327

The Group undertakings all of which are unlisted at 31 January 2005 are shown below:

	Registered office	Principal activities	Percentage of shares held 2005	Percentage of shares held 2004
Anthony Caruana & Sons Limited	303 Qormi Road, Marsa	Importation and wholesale of beverages, wines and spirits	**100**	100
Burger Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Eco Pure Premium Water Co. Limited	Triq San Gwakkin, Mriehel	Sale and distribution of bottled water	**100**	100
Farsons Italia srl	Via del Concilio 17, 20045 Lissone, Milan - Italy	Sale of branded beer and beverages in Europe	**100**	100
Farsons (Sales & Marketing) Limited	The Brewery, Notabile Road, Mriehel	Group selling and distribution function	**100**	-
Food Chain (Holdings) Limited	303 Qormi Road, Marsa	Intermediate investment and property holding	**100**	100
Food Operations Limited	303 Qormi Road, Marsa	Catering	**100**	100
Galleria Management Limited	189 Zabbar Road, Fgura	Leisure and shopping mall	**70**	70
Guido Vella Limited	303 Qormi Road, Marsa	Importation, wholesale and retail of food, beverages, wines and spirits	**100**	100
Kentucky Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Mensija Catering Co. Limited	303 Qormi Road, Marsa	Property leasing	**100**	100
Pizza Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Portanier Warehouses Limited	5 Triq l-Industrija, Qormi	Property leasing	**100**	-
Quintano Foods Limited	Commerce Street, Qormi	Importation and wholesale of food products	**100**	-
Sliema Fort Company Limited	303 Qormi Road, Marsa	Property leasing	**100**	100
Trident Developments Limited	The Brewery, Notabile Road, Mriehel	Intermediate investment and property holding	**100**	100
Trident Wines Limited	303 Qormi Road, Marsa	Importation of branded wines	**100**	-
Vita Sana srl	Villorba, Via Nobel N6, Treviso - Italy	Sale and distribution of bottled water in Italy	**51**	51
Wands Limited	303 Qormi Road, Marsa	Importation and wholesale of beverages, wines and spirits	**100**	100

– 13. INVESTMENTS IN ASSOCIATED UNDERTAKINGS –

	Group 2005 Lm'000	Group 2004 Lm'000	Company 2005 Lm'000	Company 2004 Lm'000
Year ended 31 January				
Opening net book amount	**1**	1	**1**	1
Share of profits of Associated undertakings	**8**	-	**-**	-
Closing net book amount	**9**	1	**1**	1
At 31 January				
Cost and net book amount	**9**	1	**1**	1

The Associated undertakings all of which are unlisted at 31 January 2005 are shown below:

	Registered office	Principal activities	Percentage of shares held 2005	Percentage of shares held 2004
Food Serv Limited	The Brewery, Notabile Road, Mriehel	Non-trading	**23**	23
FSG Company Limited	The Brewery, Notabile Road, Mriehel	Investment holding	**50**	50

– 14. INVESTMENTS - ORIGINATED LOANS –

	Group 2005 Lm'000	Group 2004 Lm'000	Company 2005 Lm'000	Company 2004 Lm'000
Loans to Group undertakings				
Year ended 31 January				
Opening net book amount	**-**	-	**890**	-
Additions	**-**	-	**-**	890
Closing net book amount	**-**	-	**890**	890
At 31 January				
Cost and net book amount	**-**	-	**890**	890

Loans to Group undertakings are unsecured, bear an interest rate of 6.6% (2004: 6.6%) and are repayable by 2013.

– 15. INVESTMENTS - AVAILABLE-FOR-SALE –

	Group 2005 Lm'000	Group 2004 Lm'000	Company 2005 Lm'000	Company 2004 Lm'000
Unquoted equity instruments				
Year ended 31 January				
Opening net book amount	**-**	-	**-**	-
Additions	**3**	-	**-**	-
Closing net book amount	**3**	-	**-**	-
At 31 January				
Cost and net book amount	**3**	-	**-**	-

Available-for-sale investments are fair valued annually at the close of business on 31 January. Fair value is mainly estimated by reference to the net asset backing of the investee.

Notes to the Financial Statements (continued)

16. STOCKS

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Raw materials and consumables	**1,677**	1,371	**1,404**	1,117
Finished goods and goods for resale	**2,979**	2,582	**942**	839
General stores	**1,014**	837	**545**	775
Bottles, cases and kegs	**986**	1,306	**933**	1,253
	6,656	6,096	**3,824**	3,984

17. DEBTORS

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Trade debtors	**4,299**	4,459	**2,133**	2,732
Amounts owed by Group undertakings	**-**	-	**4,717**	2,952
Amounts owed by Associated undertakings	**136**	55	**136**	55
Indirect taxation	**340**	18	**-**	18
Other debtors	**2,655**	2,265	**2,268**	1,880
Prepayments and accrued income	**604**	669	**99**	309
	8,034	7,466	**9,353**	7,946
Amounts included above which are due after more than one year:				
Amounts owed by Group undertakings	**-**	-	**1,916**	1,793
Other debtors	**1,019**	1,189	**1,019**	1,189
Debtors are stated net of provision for impairment of debtors as follows:				
Trade and other debtors	**772**	718	**529**	565
Amounts owed by Group undertakings	**-**	-	**81**	-

Amounts owed by Group and Associated undertakings are unsecured, interest free and are repayable on demand, except for an amount of Lm1,968,000 (2004: Lm1,541,000) which is subject to an average interest rate of 4.6% (2004: 5.4%).

18. SHARE CAPITAL

	Company	
	2005	2004
	Lm'000	Lm'000
Authorised:		
26,000,000 Ordinary shares of 12c5 each	**3,250**	3,250
2,000,000 Preference shares of Lm1 each	**2,000**	2,000
500,000 Preference shares of Lm10 each	**5,000**	5,000
20,000 Preference shares of Lm100 each	**2,000**	2,000
	12,250	12,250
Issued and fully paid:		
25,714,286 Ordinary shares of 12c5 each	**3,214**	3,214

– 19. OTHER RESERVES –

	Unrealised fair value gains reserve Lm'000	Incentives & benefits reserve Lm'000	Capital redemption reserve Lm'000	Total Lm'000
Group				
At 1 February 2003				
- as previously reported	-	1,080	3,204	4,284
- effect of change in accounting policy	1,357	-	-	1,357
- deferred tax thereon	(475)	-	-	(475)
- as restated	882	1,080	3,204	5,166
Fair value gains on investment property	125	-	-	125
Deferred tax on fair value gains for the year	(44)	-	-	(44)
At 31 January 2004	**963**	**1,080**	**3,204**	**5,247**
At 1 February 2004				
- as previously reported	-	1,080	3,204	4,284
- effect of change in accounting policy	1,482	-	-	1,482
- deferred tax thereon	(519)	-	-	(519)
- as restated	963	1,080	3,204	5,247
Fair value gains on investment property	269	-	-	269
Deferred tax on fair value gains for the year	(94)	-	-	(94)
At 31 January 2005	**1,138**	**1,080**	**3,204**	**5,422**
Company				
At 31 January 2004 and 31 January 2005	**-**	**1,080**	**3,204**	**4,284**

The Unrealised Fair Value Gains reserve was set up upon the change in the Group's accounting policy on investment property (note 11 refers). Gains from changes in fair value of investment property, net of deferred tax, have been transferred from retained earnings to the Unrealised Fair Value Gains reserve.

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 Companies Act, 1995, this reserve is only available for distribution to Ordinary shareholders by way of a bonus share issue.

– 20. DEFERRED TAX –

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 5% (2004: 5%) on all temporary differences in accordance with the provisions of the Business Promotion Regulations, 2001. Deferred tax on those temporary differences that do not qualify in this manner is calculated at 35% (2004: 35%).

The movement in the deferred tax account is as follows:

	Group		**Company**	
	2005 Lm'000	2004 Lm'000 (restated)	**2005 Lm'000**	2004 Lm'000
At beginning of year				
- as previously reported	**(352)**	1,128	-	1,515
- effect of change in accounting policy	**519**	475	-	-
- as restated	**167**	1,603	-	1,515
Charged/(credited) to profit and loss account (note 6)	**100**	(1,436)	-	(1,515)
At end of year	**267**	167	-	-

Notes to the Financial Statements (continued)

20. DEFERRED TAX (continued)

Deferred tax assets and liabilities are offset when the income tax relates to the same fiscal authority. The movements in the deferred tax elements and the balance at 31 January represent:

	Fixed assets Lm'000	Investment tax credits Lm'000	Fair value gains Lm'000	Net tax losses Lm'000	Provisions Lm'000	Total Lm'000
Group						
At 1 February 2003						
- as previously reported	1,256	-	-	(68)	(60)	1,128
- effect of change in accounting policy	-	-	475	-	-	475
- as restated	1,256	-	475	(68)	(60)	1,603
Profit and loss account - credit	(1,219)	(313)	44	78	(26)	(1,436)
At 31 January 2004	**37**	**(313)**	**519**	**10**	**(86)**	**167**
At 1 February 2004						
- as previously reported	37	(313)	-	10	(86)	(352)
- effect of change in accounting policy	-	-	519	-	-	519
- as restated	37	(313)	519	10	(86)	167
Profit and loss account - charge	(123)	293	94	5	(169)	100
At 31 January 2005	**(86)**	**(20)**	**613**	**15**	**(255)**	**267**
Company						
At 1 February 2003	1,632	-	-	40	(157)	1,515
Profit and loss account - credit	(1,334)	(313)	-	-	132	(1,515)
At 31 January 2004	**298**	**(313)**	**-**	**40**	**(25)**	**-**
At 1 February 2004	298	(313)	-	40	(25)	-
Profit and loss account	(118)	293	-	-	(175)	-
At 31 January 2005	**180**	**(20)**	**-**	**40**	**(200)**	**-**

At 31 January 2005, the Group had unrecognised deferred tax assets amounting to Lm1,764,000 (2004: Lm1,248,000) consisting of unutilised tax credits arising from:

	Group 2005 Lm'000	Group 2004 Lm'000	Company 2005 Lm'000	Company 2004 Lm'000
Unutilised investment tax credits	**1,450**	1,004	**1,450**	1,004
Unabsorbed tax losses	**92**	65	**-**	-
Unabsorbed capital allowances	**222**	179	**-**	-
	1,764	1,248	**1,450**	1,004

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

21. INTEREST-BEARING BORROWINGS

	Group 2005 Lm'000	Group 2004 Lm'000	Company 2005 Lm'000	Company 2004 Lm'000
Falling due within one year				
Bank overdrafts	**4,109**	2,174	**1,795**	1,405
Bank loans	**824**	793	**824**	793
Business Promotion Act - soft loan	**40**	40	**40**	40
Other loans	**60**	108	**-**	-
	5,033	3,115	**2,659**	2,238
Falling due after more than one year				
6.25% Bonds 2006-2008	**1,994**	1,991	**1,994**	1,991
6.6% Bonds 2010-2012	**3,960**	3,955	**3,960**	3,955
Bank loans	**3,876**	3,406	**2,926**	3,406
Business Promotion Act - soft loan	**60**	100	**60**	100
Other loans	**75**	75	**-**	-
	9,965	9,527	**8,940**	9,452
Total borrowings	**14,998**	12,642	**11,599**	11,690

– 21. INTEREST-BEARING BORROWINGS (continued) –

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

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Face value of bonds				
6.25% Bonds 2006-2008	**2,000**	2,000	**2,000**	2,000
6.6% Bonds 2010-2012	**4,000**	4,000	**4,000**	4,000
	6,000	6,000	**6,000**	6,000
Issue costs	**(64)**	(64)	**(64)**	(64)
Accumulated amortisation	**18**	10	**18**	10
Net book amount	**(46)**	(54)	**(46)**	(54)
Amortised cost	**5,954**	5,946	**5,954**	5,946

The quoted market price as at 31 January 2005 for the 6.25% Bonds 2006-2008 was Lm104 (2004: Lm105) and Lm107 (2004: Lm107) for the 6.6% Bonds 2010-2012.

The bank overdrafts and loans are secured by special and general hypothecs over the Group's assets and pledges over the Group's merchandise. The soft loan given under the provisions of the Business Promotion Act is secured by a bank guarantee. Other loans relate to loans by third parties.

The Group's and Company's banking facilities as at 31 January 2005 and 2004 amounted to Lm12,305,000 and Lm10,283,000 for the Group, and Lm7,695,000 and Lm8,192,000 for the Company respectively.

Interest rate exposure:

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
At floating rates	**6,234**	4,246	**3,845**	3,402
At fixed rates	**8,764**	8,396	**7,754**	8,288
Total borrowings	**14,998**	12,642	**11,599**	11,690

Weighted average effective interest rates:

	Group		Company	
	2005	2004	**2005**	2004
	%	%	**%**	%
Bank overdrafts	**4.10**	4.42	**4.00**	4.34
Bank loans	**4.47**	4.92	**4.33**	4.92
Bonds 2006-2008	**6.25**	6.25	**6.25**	6.25
Bonds 2010-2012	**6.60**	6.60	**6.60**	6.60
Business Promotion Act - soft loan	**2.50**	2.86	**2.50**	2.86
Other loans	**5.10**	5.34	**-**	-

Maturity of borrowings falling due after more than one year:

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Between 1 and 2 years	**2,987**	864	**2,870**	864
Between 2 and 5 years	**2,240**	4,383	**1,948**	4,383
Over 5 years	**4,738**	4,280	**4,122**	4,205
	9,965	9,527	**8,940**	9,452

Notes to the Financial Statements (continued)

22. TRADE AND OTHER CREDITORS

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Falling due within one year				
Trade creditors	**1,583**	1,619	**642**	599
Other creditors	**1,051**	932	**443**	634
Indirect taxes and social security	**907**	454	**791**	350
Accruals and deferred income	**1,460**	1,686	**990**	1,241
	5,001	4,691	**2,866**	2,824

Other creditors include capital creditors of Lm437,000 (2004: Lm286,000) for the Group and LmNil (2004: Lm205,000) for the Company. These amounts are subject to an average interest rate of 4.5% (2004: 6.4%). As at 31 January 2004, capital creditors relating to the Company of Lm205,000 were secured by special hypothecs over the assets acquired.

23. MINORITY INTEREST

	Group	
	2005	2004
	Lm'000	Lm'000
At beginning of year	**234**	342
Share of net losses of Group undertakings	**(15)**	(112)
Release of investment in Group undertaking	**-**	4
At end of year	**219**	234

24. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000 (restated)	**Lm'000**	Lm'000
Operating profit	**1,334**	1,792	**1,149**	1,663
Adjustments for:				
Depreciation of property, plant and equipment (note 10)	**1,891**	1,975	**1,342**	1,484
Impairment of property, plant and equipment (note 10)	**37**	-	**-**	-
Profit on disposal of property, plant and equipment	**(39)**	(34)	**(37)**	(25)
Amortisation of intangible fixed assets (note 9)	**210**	189	**99**	107
Amortisation of bond issue costs (note 21)	**8**	8	**8**	8
Changes in working capital:				
Stocks	**(430)**	(16)	**160**	237
Trade and other debtors	**(239)**	(40)	**(655)**	(573)
Trade and other creditors	**(830)**	552	**42**	(225)
Cash generated from operations	**1,942**	4,426	**2,108**	2,676

Non-cash transactions

The Company's principal non-cash transaction during the year ended 31 January 2005, related to the transfer of property, plant and equipment with a carrying amount of Lm752,000 to a Group undertaking (note 10 refers).

– 25. CASH AND CASH EQUIVALENTS –

For the purposes of the cash flow statement, the cash and cash equivalents at the end of the year comprise the following:

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Cash at bank and in hand	**344**	229	**45**	32
Bank overdrafts	**(4,109)**	(2,174)	**(1,795)**	(1,405)
	(3,765)	(1,945)	**(1,750)**	(1,373)

– 26. ACQUISITIONS –

On 29 April 2004, the Group acquired a business concern forming part of Law. Quintano & Co. Limited engaged in the importation and distribution of food products in the local market and related property (including the entire shareholding in Portanier Warehouses Limited). This acquired business contributed revenues of Lm1,833,000 and operating profits of Lm222,000 to the Group for the period from 29 April 2004 to 31 January 2005.

The net assets of the acquired business as at the date of acquisition were Lm2,006,000. These book values approximated their fair value. The goodwill is attributable to the high profitability of the acquired business and the expected synergies to arise after the acquisition.

Details of net assets acquired and the respective goodwill are as follows:

	Lm'000
Purchase consideration	
To be settled in cash	**2,006**
Direct costs relating to the acquisition	**30**
Total purchase consideration	**2,036**
Fair value of net assets acquired	**(1,752)**
Goodwill (note 9)	**284**

The assets and liabilities arising from the acquisition are as follows:

	Lm'000
Intangible assets (note 9)	**588**
Property, plant and equipment (note 10)	**1,408**
Stocks	**130**
Debtors	**329**
Trade and other creditors	**(703)**
Fair value of net assets acquired	**1,752**
Goodwill (note 9)	**284**
Total purchase consideration	**2,036**
Less:	
Purchase consideration still due	**(437)**
Net cash outflow on acquisition	**1,599**

On 17 November 2003, the Group acquired a business concern named 'Guido Vella Cash and Carry'. The acquired business contributed revenues of Lm588,000 and operating losses of Lm21,000 to the Group for the period from 17 November 2003 to 31 January 2004. The net assets of the acquired business as at the date of acquisition were Lm447,000.

– 27. CONTINGENT LIABILITIES –

At 31 January 2005, the Group and the Company had contingent liabilities amounting to Lm477,000 (2004: Lm1,078,000) and Lm87,000 (2004: Lm327,000) respectively, with regard to guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.

At 31 January 2005, guarantees amounting to Lm2,879,000 (2004: Lm2,530,000) were given by the Company with regard to bank facilities of Group undertakings.

Notes to the Financial Statements (continued)

– 28. RELATED PARTY TRANSACTIONS –

The following companies are related parties by virtue of their shareholding in the Company:

	Percentage of shares held	
	2005	2004
Farrugia Investments Limited	**26.50**	26.50
MSM Investments Limited	**26.50**	26.50
Sciclunas Estates Limited	**26.32**	26.32

Transactions with these companies, or any of their group and associated undertakings, are made on an arm's length basis. These transactions are not material for disclosure purposes.

– 29. FINANCIAL INSTRUMENTS –

Foreign exchange risk

The Group purchases from overseas suppliers and is consequently exposed to foreign exchange risk arising on such purchases that arise from various currency exposures primarily with respect to US dollar, Sterling and Euro. On specific transactions the Group uses forward contracts to manage its exposure to fluctuations in foreign currency exchange rates.

For financial reporting purposes, the Group designates contracts as fair value hedges or cash flow hedges, as appropriate.

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

At 31 January 2005 the settlement dates on open contracts ranged between two and twelve months. The local currency amounts to be paid and contractual exchange rates of the Group's outstanding contracts were:

	Group	
	2005	2004
	Lm'000	Lm'000
US Dollar (at rates averaging Lm1 = USD2.9636 [2004: USD2.8054])	**236**	120

The fair values of open contracts at 31 January 2005 which hedge anticipated future foreign currency purchases are not material for disclosure purposes.

Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk, consist principally of cash at bank and debtors. The Group's cash is placed with prime financial institutions. Debtors are presented net of impairment charges for bad and doubtful debts. Credit risk with respect to debts is limited due to the large number of customers comprising the Group's debtor base. The Group has no concentration of credit risk that could materially impact on the sustainability of its operations. However, in common with similar business concerns, the failure of specific large customers could have a material impact on the Group's results.

Interest rate risk

The operating cash flows of the Group are influenced by changes in market interest rates. Notes 21 and 22 incorporate interest rate and maturity information with respect to the interest-bearing liabilities. Up to the balance sheet date the Group did not have any hedging arrangements with respect to the exposure of floating interest rate risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business, Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

Fair values of non-derivative financial instruments

At 31 January 2005 and 2004 the carrying amounts of cash at bank, debtors, creditors and accrued expenses and short-term borrowings approximated their fair values. The fair values of originated loans and long-term borrowings are not materially different from their carrying amounts.

– 30. CAPITAL COMMITMENTS –

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

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Contracted but not provided for	**208**	83	**160**	83
Authorised but not contracted	**6,842**	1,319	**6,309**	1,032
	7,050	1,402	**6,469**	1,115

Operating lease commitments - where a Group company is a lessee
The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Not later than 1 year	**154**	111	**52**	57
Later than 1 year and not later than 5 years	**594**	442	**28**	80
Later than 5 years and not later than 30 years	**2,636**	2,075	**-**	-
Later than 30 years	**7,621**	7,708	**-**	-
	11,005	10,336	**80**	137

Non-cancellable operating lease payments disclosed above as 'Later than 30 years' expire within 80 years. This commitment relates to a non-cancellable property operating lease that expires in 2085.

Operating lease commitments - where a Group company is a lessor
The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	Lm'000	Lm'000	**Lm'000**	Lm'000
Not later than 1 year	**214**	286	**7**	7
Later than 1 year and not later than 5 years	**787**	845	**7**	14
Later than 5 years	**2,243**	2,451	**-**	-
	3,244	3,582	**14**	21

– 31. POST BALANCE SHEET EVENT –

On 3 March 2005, the Directors of the Company approved an investment plan and modernisation programme, that comprises the building of a new Soft Drink Packaging Hall, a Distribution Centre and a new Brewhouse, which is estimated to amount to Lm14 million over a six-year period, of which Lm5.6 million have already been authorised.

– 32. STATUTORY INFORMATION –

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

– 33. COMPARATIVE INFORMATION –

The Group has changed its accounting policy on investment property, with effect from 1 February 2004. This has necessitated the restatement of the opening balances as at 1 February 2003. The comparative financial information for 2004 has been adjusted accordingly.

Certain other comparative information has been reclassified to conform with the current year's disclosure for the purpose of fairer presentation.

Shareholder Information

Directors' interests in the Company

	Ordinary shares held as at 31 January 2005	Ordinary shares held as at 22 April 2005
Bryan A. Gera	69,097	69,097
Vincent Curmi	6,732	6,732
Louis A. Farrugia	25,905	25,905
Anthony P. Galdes	8,000	8,000
Marquis Marcus John Scicluna Marshall	5,020	5,020
Luke L. Miceli	-	-
Marcantonio Stagno d'Alcontres	-	-
Dr. Max Ganado	-	-

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

Mr. Luke L. Miceli has a beneficial interest in 59,370 (31 January 2005 - 61,300) Ordinary shares registered in the name of Miceli Holdings Limited and, together with Mr. Marcantonio Stagno d'Alcontres, has a beneficial interest in MSM Investments Limited. Besides having a beneficial interest in Farrugia Investments Limited, Mr. Louis A. Farrugia has a beneficial interest in a further 36,785 Ordinary shares registered in the name of Farrugia Holdings Limited. Marquis Marcus John Scicluna Marshall has a beneficial interest in Sciclunas Estates Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2005 to 22 April 2005.

Shareholders holding 5% or more of the equity share capital at 22 April 2005

	Ordinary shares	
	Number	Percentage holding
Farrugia Investments Limited	6,813,310	26.50
MSM Investments Limited	6,813,310	26.50
Sciclunas Estates Limited	6,768,162	26.32

Shareholding details

As at 22 April 2005, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of 12c5 each	1,699

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 22 April 2005

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of 12c5 each			
Up to 500 shares	509	125,237	0.49
501 - 1,000	313	226,241	0.88
1,001 - 5,000	683	1,579,155	6.14
More than 5,000	194	23,783,653	92.49
	1,699	25,714,286	100.00

Anthony J. Tabone
Company Secretary

The Brewery, Notabile Road, Mriehel BKR 01. Telephone: (+356) 2381 4172

Five Year Summarised Group Results

		2005 Lm'000	2004 Lm'000 (restated)	2003 Lm'000 (restated)	2002 Lm'000 (restated)	2001 Lm'000 (restated)
Turnover		**26,781**	24,725	23,592	22,867	22,544
Operating costs		**(25,447)**	(22,933)	(21,802)	(21,763)	(20,860)
Operating profit		**1,334**	1,792	1,790	1,104	1,684
Fair value gains on investment property		**269**	125	272	108	100
Investment income		**20**	28	226	18	12
Finance costs		**(805)**	(808)	(797)	(552)	(544)
Share of profits/(losses) of Associated undertakings		**8**	-	(123)	(156)	(113)
Profit before tax		**826**	1,137	1,368	522	1,139
Tax		**(217)**	1,441	(148)	160	(208)
Profit before minority interest		**609**	2,578	1,220	682	931
Minority interest		**15**	112	(4)	(13)	(6)
Profit for the year		**624**	2,690	1,216	669	925
Dividends paid on:						
Ordinary shares		**604**	460	400	400	360
Preference shares		**-**	-	156	180	180
Total dividends (net)		**604**	460	556	580	540
Ordinary share capital and reserves		**15,927**	15,922	13,800	12,225	11,771
Preference shares		**-**	-	-	3,000	3,000
Shareholders' funds		**15,927**	15,922	13,800	15,225	14,771
Borrowings		**14,998**	12,642	13,652	11,844	8,509
Deferred tax		**267**	167	1,603	1,684	1,981
Total capital employed		**31,192**	28,731	29,055	28,753	25,261
Fixed assets		**21,231**	19,715	20,104	20,468	16,552
Current assets		**15,069**	13,816	13,387	13,668	12,388
Liabilities (excluding borrowings)		**(5,108)**	(4,800)	(4,436)	(5,383)	(3,679)
Total assets less current liabilities		**31,192**	28,731	29,055	28,753	25,261
Shares in issue during the financial year:						
- Ordinary shares	**'000**	**25,714**	25,714	24,413	24,000	24,000
- 6% Preference shares of Lm10 each	**'000**	**-**	-	216	300	300
Number of Ordinary and Preference shareholders		**1,699**	1,708	1,699	4,237	4,228
Earnings per Ordinary share (reference note 7)		**2c4**	10c5	4c3	2c0	3c1
Return on average capital employed	**percentage**	**5.5**	7.1	7.5	3.9	6.8
Dividend cover	**times**	**1.03**	5.85	2.19	1.15	1.71
Dividends per Ordinary share (net of tax)		**2c4**	1c8	1c6	1c7	1c5
Net asset value per Ordinary share		**62c**	62c	57c	51c	49c
Gearing	**percentage**	**48.1**	44.0	47.0	51.6	45.6

Comparative information has been restated to reflect the change in the Group's accounting policy on investment property.

Certain other comparative information has been reclassified to conform with the current year's disclosure for the purpose of fairer presentation.

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

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

Dividend cover is calculated by dividing the profit for the year by the total net dividends.

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 total borrowings (including preference shares at year end) by total capital employed.

Designed by BPC International Limited ISSN 1811-7112 ISBN 99932-48-03-7

We are very satisfied that, in open and competitive markets we have more than risen up to the test. It was always our considered belief that our programme of diversification coupled with investing in all our resources is the best strategic manner for the Group to move forward. We are steadfast that, by persevering on this course and retaining our focus on the values and principles that have always guided this Group, Farsons shall forge ahead • • •

Louis A. Farrugia

Group Chief Executive

www.farsons.com