



S I M O N D S F A R S O N S C I S K p l c

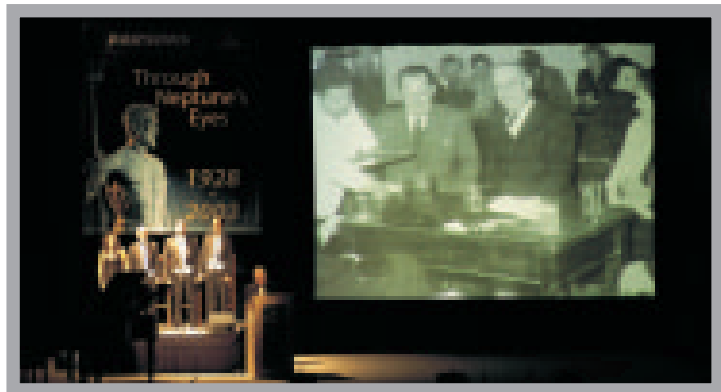


A N N U A L R E P O R T

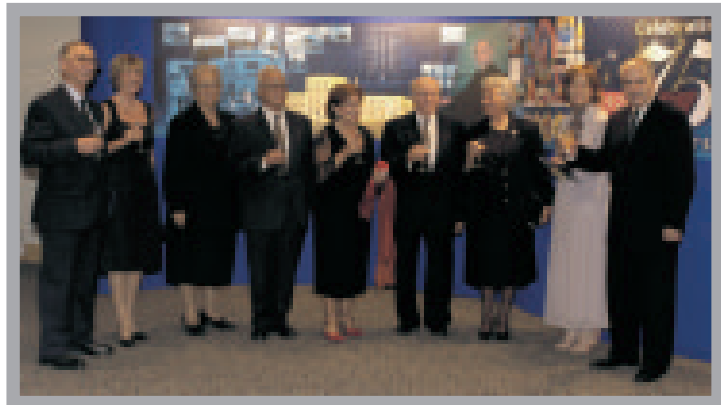
2 0 0 4

- 2 Chairman's Statement
- 3 Directors, Board Committees, Group Executives and Senior Management
- 4 Group Chief Executive's Review
- 12 Directors' Report
- 13 Corporate Governance - Statement of Compliance
- 17 Remuneration Report
- 18 Report of the Auditors on the Statement of Compliance
- 19 Statement of Directors' Responsibilities
- 19 Report of the Auditors
- 20 Profit and Loss Accounts
- 21 Balance Sheets
- 22 Statements of Changes in Equity
- 23 Cash Flow Statements
- 24 Accounting Policies
- 26 Notes to the Financial Statements
- 44 Shareholder Information
- 45 Five Year Summarised Group Results

FROM A SUCCESSFUL PAST, NEPTUNE LOOKS COURAGEOUSLY TO THE FUTURE....



A general shot of the stage, showing the screen featuring a clip from the audiovisual presentation. The gentleman shown seated, on the right, is the founder of Farsons, the late Lewis Victor Farrugia.

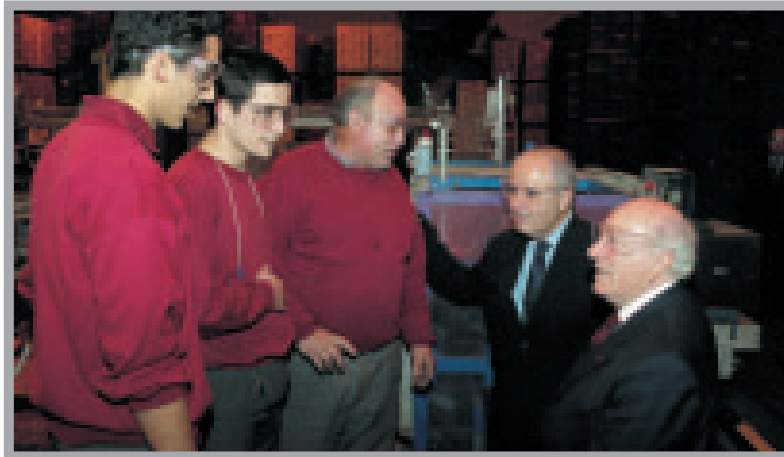


From left: Farsons Chairman Mr Bryan A. Gera, Mrs Christine Gera, Mrs Mary Fenech Adami, Hon Prime Minister Eddie Fenech Adami, Mrs Violet de Marco, HE The President of Malta Guido de Marco, Dame Lillian Miceli-Farrugia, Mrs Monica Farrugia and Farsons Group Chief Executive Mr Louis A. Farrugia at the Exhibition set up as part of the Farsons 75th Anniversary celebrations.

FARSONS


Simonds Farsons Cisk plc,
The Brewery, Notabile Road,
Mriehel BKR 01, Malta.
Telephone: (+356) 2381 4114
Telefax: (+356) 2381 4150
www.farsons.com
email: sfc@farsons.com





HE The President of Malta, Guido de Marco, with Mr Louis A. Farrugia talking to Farsons personnel during a commemorative visit to the Brewery.

The very first Maltese beer, Farsons Pale Ale, was launched by entrepreneur Lewis Victor Farrugia in 1928, and the year 2003 thus marked the 75th Anniversary of Simonds Farsons Cisk.

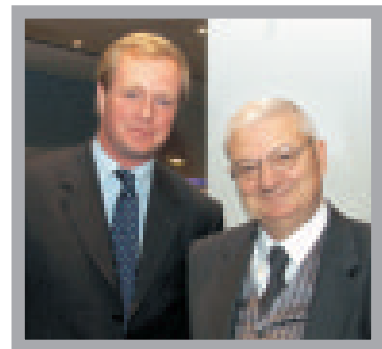
The Anniversary celebrations culminated in "Through Neptune's Eyes". Featuring some of Malta's leading young talent, this celebration concert was attended by distinguished guests which included descendants of the three founding

groups, the Simonds, the Sciclunas as well as the Farrugia families, senior representatives from international companies associated with the Farsons Group and Group employees.

With an impressive audiovisual presentation featuring live narration and musical performances, this concert traced key milestones of the Farsons Group history over the past 75 years, in the context of Malta's social and economic progress.

His Excellency Prof. Guido de Marco, President of Malta, summed up the

role played by the Farsons Group with these sentiments: "I cannot remember any period of my life without being aware of Farsons. But may I add that the real success lies in the sense of vision that this enterprise has, in the social conscience which it manifests, and in the relationship it has with its workers. We all feel that Farsons is an important part of the industrial landscape of Malta and I am confident that it will look at the future with the same courage and dedication that it has faced the past".



Vice-President (Western Europe) of Pepsico Beverages International, Mr Willem Jan Rote (left) and Dott. Antonio Molinari, owner of Italian liqueur, Sambuca Molinari.



CHAIRMAN'S STATEMENT

I am pleased to report that once again we have achieved an increase in our Group activities and profitability.

During the year under review we increased our Group Turnover from Lm23,592,000 to Lm24,725,000, an increase of just under 5%. Group Profit before Tax and minority interest amounted to Lm1,003,000 compared to Lm1,095,000 last year.

This included the consolidation of three months turnover of Guido Vella Limited, the Cash and Carry, Wines, Spirits and Beverage wholesale business we acquired in November 2003, as well as the consolidation of a full year's turnover of the Casual Diner Restaurant business "Fridays", not included last year under Group Turnover. Sales in all our other businesses were steady and in line with the previous year.

Group Profitability before Tax improved slightly after adding back Minority Interest (2004 Lm1,115,000-

2003 Lm1,091,000). This year's results have been influenced by a good first six months for the parent company due to the exceptionally hot summer in 2003 and by a difficult second half-year for the Group due to a downturn in demand in the hospitality and leisure sector. The steady progress in our franchised food retailing establishments has also contributed to the enhanced performance.

Of particular note is the change in the tax provision resulting from the company's eligibility to benefits under the Business Promotion Regulations, 2001 as from the year of Assessment 2004. This is adequately explained in the notes to the financial statements and will mean that the Deferred Tax provision previously required is now no longer needed. The face of the Group Balance Sheet has thus changed significantly and earnings per share improved threefold. In fact Shareholders funds have now reached a record Lm14,678,000 despite the fact that Lm3,000,000 Preference Shares were redeemed in October 2002. At the same time our Group Borrowings decreased from Lm13,652,000 to Lm12,642,000. Our gearing has therefore improved and so has our cash generation.

As a result of these events your Board has been pleased to announce an interim dividend of Lm90,000 and is recommending a final net dividend of Lm514,000. These dividends are being paid out of tax exempt profits and equate to a total dividend of 2c4 per share as compared to last year's 1c8 per share. I am sure that all shareholders will be more than pleased with this development.

Last year we explained how Farsons was taking on the structure of a Group, which had diversified into three segments, Beer and Beverage, Food Retailing, and Property Asset Management. This year we can note a significant improvement in the segment results of the importation of beverages (including wines and spirits) and the operation of franchised food retailing. This further underpins the Board's view that our

diversification strategy is the best way to have prepared for the impact of the liberalisation process as Malta accedes into the European Union on May 1st 2004.

The acquisition of the Cash and Carry, Wines, Spirits and Beverage Business of Mr Guido Vella, has allowed the Group to enter a sub sector of this segment. Guido Vella Limited not only wholesales well-established brands but also imports secondary brands in demand from the hotel and catering outlets. We acquired this business in November 2003 and although margins will be well below our normally expected levels the turnover for this outlet will help us establish our brands in this important channel and so help our existing businesses.

So as we look at the Group's performance we can report that our 'locally produced' business has stood up to the dismantling of import levies whilst our 'import' business has grown. To further help our strategy, this March we announced that we had reached an agreement with Anheuser-Busch which will allow us to bottle their world famous and prestigious brand 'Budweiser' which, prior to this arrangement, we were importing as a finished product. This agreement is no mean achievement. Anheuser-Busch are well known for their exacting high quality standards and our Brewery was audited by their experienced Brewers and the approval for the agreement was at the highest level. Our agreement is a long-term affair and required that we invest Lm1,000,000 in plant and machinery. It will mean that these high standards will further help us maintain and further improve our own quality controls and so our own standards. This is of course so essential in such a competitive world.

As I have already indicated we can report that the Turnover of our traditional locally produced business has remained steady. However, we can also state that we have performed well in the beer sector through the launch of Skol beer under license from Carlsberg



Bryan A. Gera
Chairman

ANNUAL REPORT

Breweries. Cisk, our flagship brand, is continuing to deliver value to the consumer and during the year we successfully introduced the 50cl can on the market. In fact the Cisk brand has increased its share of the market as a result of this new package. We have also introduced a new 25cl returnable bottle for Cisk, which is proving to be a very popular package at local bars.

Sales of our non-alcoholic products remained stable and again we have introduced new products such as locally produced ice teas under the Breakers brand. 7UP is now firmly re-establishing itself as a high quality refreshing soft drink and Kinnie of course, remains our flagship non-alcoholic brand. Pepsi Cola remains strong in the on-premise market and we have been targeting various sectors of the youth market. Bottled water is under constant attack from both local and foreign brands. San Michel however still remains the dominant brand in the marketplace. We do have to continue to be innovative in this area.

You will all be pleased to note the very significant improvement this year in the segment result of our franchised food retailing business. We have successfully turned a segment loss last year of Lm18,000 to a segment profit this year of Lm138,000, that is an improvement of Lm156,000. This has come about with the continuous improvement in cost control and value for money that we are offering our customers in the four franchises that we run, Pizza Hut, Burger King, KFC and Friday's. We believe that we are now well on the way to making this business work well for the Group.

We will soon be announcing that we have successfully acquired the business assets of Law, Quintano & Co Ltd, a food distribution company whose main business is the importation of the Danone brands and especially their fresh dairy products. This is an important new diversification that your Group is undertaking and one that is in line

with the thinking I have expressed at the beginning of this Statement. We have acquired the business at a time when all protective levies are being abolished and no restriction to trade will continue. We believe that there are tremendous opportunities that await us in this sector and there are synergies that we can exploit with our existing businesses especially our food retail operations. I look forward to reporting to you further on this investment.

I would like to thank my fellow directors for their support and contribution during the year especially our Group Chief Executive, Mr Louis Farrugia.

We welcomed this year Dr Max Ganado who comes with a wealth of experience in company law and financial services as well as in arbitration. I would also like to put on record our thanks to Prof Joe Ganado who as you well know did not offer to present himself as a director last year. During the thirteen years that he served as a director he was of invaluable help to the Board not only in legal matters but also in the many commercial decisions that we had to consider.

I must thank the management & staff who have all striven hard to achieve and maintain the standards that we now have in place. They are dedicated and focused in the challenges that lie ahead.

Finally we would like to express our appreciation for the work done on our behalf by our external legal advisor, Prof. Andrew Muscat of Mamo TCV and by our auditors PricewaterhouseCoopers.



Bryan A. Gera - Chairman

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
Marcus John Scicluna Marshall
Anthony J. Tabone - Company Secretary

CORPORATE GOVERNANCE COMMITTEE

Bryan A. Gera - Chairman
Marcantonio Stagno d'Alcontres
Vincent Curmi
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
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
Marcus John Scicluna Marshall
Dr. Max Ganado

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

Geoffrey Borg - General Manager / Distribution
Albert F. Calleja - General Manager / Beers
Ray Grech - General Manager / Marketing
Arthur Muscat - Group Human Resources Manager
Ray Sciberras - General Manager / Beverages
Gabriel Wirth - General Manager / Wands
Stefania Conte - General Manager / Food Chain

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

GROUP CHIEF**EXECUTIVE'S REVIEW**

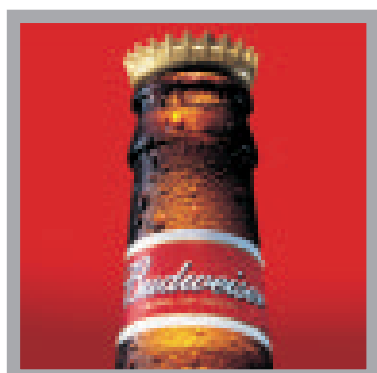
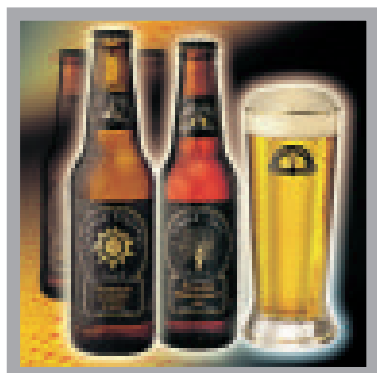
The year under review was not without its fair share of challenges. The first quarter of the financial year was characterised by uncertainty over the country's political future as Malta faced a Referendum on whether it should join the European Union and a General Election, all within the space of 12 weeks. After this intensive period of political debate, there followed a period when the market faced up to the real implications of Malta's entry into the EU. This period is now coming to an end, as all market players square up their strategies for the full impact of market liberalisation

as from May 1st 2004. The economy's performance was sluggish throughout the year under review. Gross Domestic Product increased by 1% and Government spending was constrained by the need to control the Budget deficit. Our tourist trade performance suffered from the uncertainty of safe travel as well as poor local infrastructural support, and tourist numbers declined marginally whilst tourist spending increased by 2%. Towards the end of the year, Government announced a number of fiscal measures such as the increase in VAT on the supply of products and services from 15% to 18%. All these factors contributed to a difficult local



market for consumer products whilst competition continued to intensify in all sectors. Naturally our Company's performance throughout the year has to be seen against this relatively difficult trading scenario. I am therefore pleased to report that the overall trading results are most satisfactory since we have managed to buffer any adverse impact on our manufacturing business, brought about by the removal of import





levies, with the improved performance of our subsidiary companies which benefit from such removals. This has been a deliberate part of our Group strategy, and we are now poised to take on the challenges of a fully liberalised market and seize opportunities, which such a

market offers. The acquisition in November of "Guido Vella Cash & Carry", a wines, spirits and beverages wholesale and retail business, was another step in this process.

During the year, we have continued to further strengthen the brands, structures and operations which we already own and run, whilst also working on plans to develop and innovate new brands and products, introduce new systems of operations and adjust our existing selling structures to meet the dynamics of the marketplace.

Management is also working on a substantive investment plan for the upgrading of our production facilities and in particular the building of a new brewhouse and a new soft drinks factory. These plans, once approved by the Board of Directors, will be announced in 2004 and commence in 2005.

Brand Portfolio

The Farsons Group depends on the success of its portfolio of brands

in order to achieve leadership on the market. Therefore, the importance of good marketing strategies has long been emphasised within the Group and this philosophy has paid dividends over the years. We have to constantly support our brands to maintain consumer awareness at the highest levels. Throughout the year, a number of marketing campaigns are executed to ensure that our own brands such as Kinnie, Cisk, Hopleaf and San Michel continue to maintain their market leadership. This effort is



Louis A. Farrugia
Group Chief Executive



naturally not limited to Company owned brands but also to those we are responsible for in Malta such as Pepsi, 7UP, Sunkist and Carlsberg. Our subsidiary companies, Wands Limited and Anthony Caruana and Sons Limited also support leading brands such as Budweiser, Guinness, Becks and John Smith's in the beer sector, Perrier, Lipton Ice Tea and Gatorade in the non-alcoholic beverages sector, and Strongbow and Woodpecker in the cider business. We are fortunate enough in having a portfolio of leading spirits brands which include, amongst others, Bacardi, Campari, The Famous Grouse, Ballantine's, Courvoisier, Absolut Vodka,

Remy Martin, Veuve Clicquot and Avena.

These are the brands which make the Farsons Group the Group that it is today. They represent a very valuable asset, which has to be looked after at all times.

As the market is fully liberalised, the consumers' distinction between locally produced and imported products decreases and every product, wherever its origin, has to demonstrate its ability to compete for quality and value for money. This principle is well understood within the Group.

Product Performance

As already discussed in last year's review, some of Farsons' products

have been operating in a fully liberalised market since 1st January 2003 and before. This applies to bottled water and fruit juices for example. It is encouraging to note that San Michel table water continues to maintain its position in the market and competes favourably with imported brands, despite the fact that prices of these products have become more competitive.

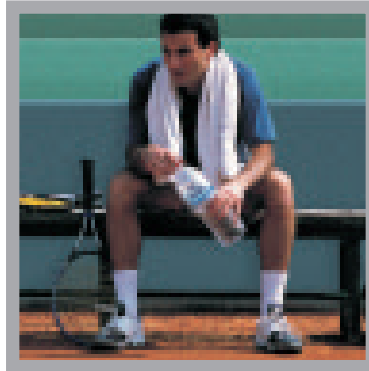
To a lesser degree, we have tested the resilience of our beers against the competition of imported beers. The levy imposed on imported beers has been decreasing gradually since July 2003. Despite this fact, we note with satisfaction that during the





latter part of the financial year, the volumes of Farsons beer sold increased when compared to the same period the previous year. We do expect, as the market is fully liberalised on 1st May 2004, to see new brands being introduced. Some of these brands will be very competitive, but we are confident that the preference of both the Maltese consumer and the tourist for Cisk Lager, Cisk Export, Hopleaf Pale Ale and Blue Label Ale will prevail.

The introduction on the market of locally brewed Skol Beer, under licence from Carlsberg International has given additional strength to the Group in the beer sector. This brand, which is well known in the United Kingdom and other markets, managed to secure a substantial share of the value-



for-money segment in a relatively short period of time. This introduction was part of the Group's strategy to secure a share of the various segments of the beer market in Malta. The Group therefore has the advantage of offering the consumer a wide range of beers of both local brands and international brands in the freshest possible condition. The Group's expertise in handling imported beer has been recognised by all our principals and this expertise is paying good dividends at a time when the market is undergoing such a major change. It is becoming evident, more than ever before, that handling imported beer could be fraught with problems which can only be avoided by those who, like Farsons, have not only the



expertise but also the facilities to store, distribute and service beer outlets in a professional manner.

A number of products have also had packaging upgrades to ensure that their image remains high. Among the products which underwent packaging changes, one finds Cisk and Cisk Export, San Michel and Breakers.

International Partners

Last year, we reported on the extension of our licensing agreement with Carlsberg International A.S. This agreement gives Farsons a licence to brew and market Carlsberg and Skol beers in Malta for a further period of fifteen years. This reflects the close business relationship that exists between the two companies. Following this, we

can now proudly report that an agreement has been signed with Anheuser-Busch, the largest brewing group in the world which, among other beers, brews and markets Budweiser world-wide. This agreement gives Farsons the right to bottle Budweiser in Malta. Apart from the obvious value added to the Farsons operation, this agreement is yet another demonstration of the high esteem in which the Company's technical expertise is held by brewers of international repute. This agreement followed the substantial investment of Lm1,000,000 in upgrading our beer packaging plant to meet Anheuser-Busch's stringent quality controls. Through this

development, we have secured a longer-term distribution agreement for Budweiser in Malta. We are indeed pleased in having such a prestigious brewing group as our long-term partner.

Communication

We are fully aware of the importance of communicating with our public. The Farsons Beer Festival, which is held annually, has now become a permanent feature in the promotional calendar of the Group. This year, no less than 30,000 people patronised the event over a period of ten days. This event gives us an excellent opportunity not only to communicate our message to a wide spectrum of our customers

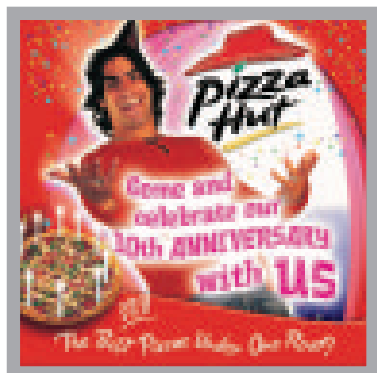
but also to thank them for the continued support they give to our products during the year.

Elsewhere in this report, we feature the activities held to mark the 75th Anniversary of the foundation of our Company. A historic Anniversary Concert celebration was held in October 2003 at the new Hilton Conference Centre. The programme included a number of opera pieces sung by young Maltese artists and a visual and live narration presentation of the Company's history. We were pleased to welcome as our guests of honour, the President of Malta and the Prime Minister, Cabinet Ministers, Members of the



ANNUAL REPORT

Diplomatic Corps, as well as clients and partners. All employees were invited to a special performance of the same concert organised on the following



evening. The Anniversary Concert and a special documentary about the history of Farsons were also screened on the national television station of the public broadcasting service, making it possible for thousands of Maltese viewers to enjoy them in the comfort of their home.

Subsidiary Companies

Two years ago, we reported on

the re-structuring of our fast food business and we had expressed our confidence that the steps we were taking at the time would bring about a



turnaround in the performance of Food Chain Holdings. It is with pleasure that we can report that this business has performed excellently throughout the year and has registered a profit for the first time. We shall continue to strengthen this business and focus on giving all our clients the best value and quality whilst at the same time ensure that our operations are cost efficient in every respect. The operation of TGI Friday's by Food Chain Holdings has also shown an improvement in profitability.

Both Wands Limited and Anthony Caruana & Sons Limited have had

a very good year and both companies continued with their positive profitability trend. The diversification of these companies' product portfolio over the years, and a greater focus on margins and operating costs are helping towards improved results. Another subsidiary company which registered a very satisfactory performance during the year under review, was Eco-Pure Premium Water Co Limited.

This Company continued to strengthen its customer base and register volume growth. Trident Developments Limited continued to increase the focus needed to optimise the utilisation and value of the various properties of the Group which it was entrusted to manage. The appointment of a Board of Directors to overview this work is helping to bring the attention needed to turn this business into a more profitable unit.

Galleria Management Limited intensified its efforts to improve

the operation of the Galleria Shopping and Entertainment Complex in Fgura. This investment is proving to be particularly challenging but some encouraging results are now emerging and management is implementing a plan aimed at improving our operations.

It is evident that the improved performance of the subsidiary companies is becoming more significant every year. We are very pleased with this and we can report that they have been the principal reason why the Group's results are positive during the financial year under review.

Vita Sana srl in Italy is gradually establishing itself and making

in-roads in the 19 litre bottled water market in Treviso. This subsidiary company is replicating the operation of Eco-Pure Premium Water Company which operates in Malta, and is fast acquiring a good reputation for efficient service, good quality mineral water and value for money.

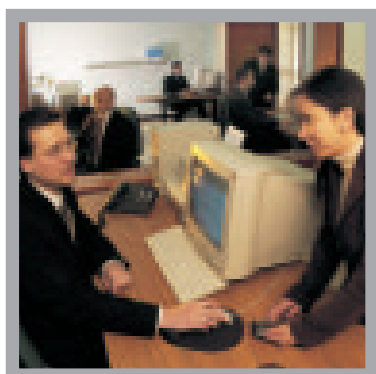
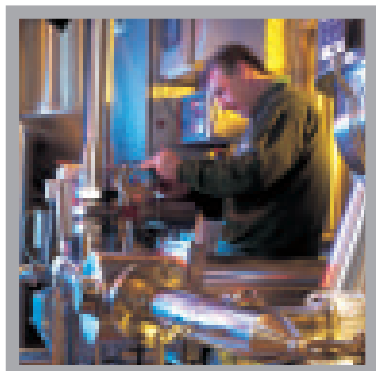
Training and Motivating Staff

The increasingly competitive trading landscape is putting greater pressure on our operating costs. The Group is well aware that only highly professional management and a trained and flexible workforce can help it sustain its profitability. Training programmes for all levels of



employees within the Group are given a high priority. They are aimed at bringing about changes in work practices and helping employees to acquire new skills. This substantive investment has paid dividends as it has given the Group a competitive edge in the quality of its workforce. The Group Executive Board is aware that this should be an on-going process and it is constantly evaluating its Group Management structures to ensure that we are able to meet the





growth and diversification of our operations. The ISO 9001 certification, which the Company was awarded last year, is helping to improve processes and maintain quality in a disciplined and systematic way. The regular audits by SGS Yardsley, the certifying company, are showing encouraging results and are confirming that the quality management system model has been well adopted throughout the Company. The extension of the certification to subsidiary companies within the Group is currently under way.

Another important initiative, which is proving to be a highly motivating factor, is the Employees Suggestion Scheme. This scheme which the Company has been organising for some years now, is not only producing cost saving suggestions by the employees themselves, but is also giving a sense of pride and belonging to all the members of the staff participating in it. Recognition for participation and award winning suggestions is given during special ceremonies organised at the Brewery.

The Road Ahead

There is no doubt that the economic rules under which we are conducting our businesses are changing and so too the economic environment in which we operate.

We feel that the Group is well poised to adapt to these changes and to exploit the various opportunities which the changing business scenario would offer us. Whilst being mindful of our core business, which shall always

remain that of brewing and soft drink production, we have to be pro-active to grasp every opportunity for diversification both in Malta and overseas.

The resilience of our brands, a trained work force, a professional management set-up, excellent IT structures and a good financial base keeps our Group at the fore-front of the development which Malta will be going through as it starts forming an integral part of a single market of over 400 million people.

The challenges ahead are considerable, however, I am confident that the Group possesses the right strategies to move forward for the benefit of all stakeholders.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 January 2004.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The overall Group's operating performance was in line with the previous financial year. These financial results also include the consolidation of trading of newly acquired operations.

The profit after tax includes changes to the tax provision resulting from the Company's eligibility to benefits available under the Business Promotion Regulations, 2001 as from year of assessment 2004.

RESULTS AND DIVIDENDS

The profit and loss accounts are set out on page 20.

The Directors have announced an interim dividend of Lm90,000 payable on 29 April 2004 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 2003 amounted to Lm460,000, equivalent to 1c8 per share.

DIRECTORS

The Directors in office during the year ended 31 January 2004 were:

Mr. Bryan A. Gera D.B.A. – Chairman
Mr. Vincent Curmi C.P.A.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
Prof. Joseph M. Ganado LL.D., Ph.D. (Lond.) – (retired on 26 June 2003)
Mr. Marcus John Scicluna Marshall
Mr. Marcantonio Stagno d'Alcontres
Dr. Max Ganado LL.D. – (appointed on 26 June 2003)

On 26 June 2003, Prof. Joseph M. Ganado retired from the Board and Dr. Max Ganado was appointed in his stead.

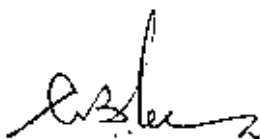
Mr. Bryan A. Gera and Dr. Max Ganado, whose term of appointment expires, retire from the Board and are eligible for re-election.

POST BALANCE SHEET EVENT

On 3 March 2004, the Group announced that it had signed a preliminary agreement with Law. Quintano & Co. Limited for the acquisition of the assets of its food importation and distribution business in the local market. The final agreement will be signed on 29 April 2004.

AUDITORS

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



Bryan A. Gera
Chairman

By Order of the Board



Vincent Curmi
Vice-Chairman



Louis A. Farrugia
Group Chief Executive

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 42), 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.

CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE (continued)

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.

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.

ANNUAL REPORT

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.

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 all matters in which a director may have a direct or indirect interest. Such a director cannot form part of the Committee.

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.

Audit Committee chaired by a non-executive director reviews procedures and internal control systems and reports thereon to the Board. 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 the Group Internal Auditor may deem to be expedient or as are referred to him. He liaises with the external auditors as may be necessary and he also has right of direct access to the Chairman of the Committee at all times. He 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 at quarterly intervals 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.

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.

CORPORATE GOVERNANCE - STATEMENT OF COMPLIANCE (continued)**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 28 April 2004 and signed on its behalf by:



Bryan A. Gera
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	Lm86,000

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 13 to 16 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.

28 April 2004

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 judgments 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 20 to 43. 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 2004 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.
28 April 2004

PROFIT AND LOSS ACCOUNTS

Year ended 31 January 2004

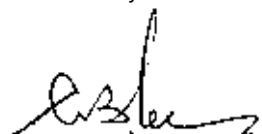
	Notes	Group		Company	
		2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Turnover	1	24,725	23,592	15,682	15,532
Cost of sales		(15,337)	(14,458)	(8,255)	(8,343)
Gross profit		9,388	9,134	7,427	7,189
Selling and distribution costs		(3,497)	(3,403)	(3,491)	(3,376)
Administrative expenses		(4,108)	(3,942)	(2,273)	(2,526)
Operating profit	2	1,783	1,789	1,663	1,287
Investment income	4	28	226	103	93
Interest payable	5	(808)	(797)	(701)	(640)
Provision for diminution in value of investments		-	-	-	150
Share of losses in respect of Associated undertakings		-	(123)	-	-
Profit on ordinary activities before tax		1,003	1,095	1,065	890
Tax on profit on ordinary activities	6	1,485	(53)	1,621	(12)
Profit before minority interest		2,488	1,042	2,686	878
Minority interest		112	(4)	-	-
Net profit for the financial year		2,600	1,038	2,686	878
Earnings per share	7	10c1	3c6	10c4	3c0

BALANCE SHEETS

At 31 January 2004

	Notes	Group		Company	
		2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
ASSETS					
Fixed assets					
Intangible assets	9	1,096	1,232	817	924
Tangible assets					
Property, plant and equipment	10	15,878	16,656	9,073	9,300
Investment property	11	1,211	820	-	-
Financial assets					
Investments in Group undertakings	12	-	-	7,327	7,137
Investments in Associated undertakings	13	1	1	1	1
Investments - Originated loans	14	-	-	890	-
		18,186	18,709	18,108	17,362
Non-current assets					
Deferred tax	15	352	-	-	-
Current assets					
Stocks	16	6,096	5,880	3,984	4,221
Debtors	17	7,448	7,202	7,928	7,355
Tax recoverable		43	40	18	-
Cash at bank and in hand		229	265	32	103
		13,816	13,387	11,962	11,679
Total assets		32,354	32,096	30,070	29,041
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	4,284	4,284	4,284	4,284
Profit and loss account		6,288	4,148	7,166	4,940
		14,678	12,538	15,556	13,330
Minority interest	22	234	342	-	-
		14,912	12,880	15,556	13,330
Provisions for liabilities and charges					
Deferred tax	15	-	1,128	-	1,515
Creditors: Amounts falling due after more than one year					
Borrowings	20	9,527	11,016	9,452	9,921
Trade and other creditors	21	-	105	-	105
		9,527	11,121	9,452	10,026
Creditors: Amounts falling due within one year					
Borrowings	20	3,115	2,636	2,238	1,087
Trade and other creditors	21	4,691	4,039	2,824	2,944
Current tax		109	292	-	139
		7,915	6,967	5,062	4,170
Total creditors		17,442	18,088	14,514	14,196
Total equity and liabilities		32,354	32,096	30,070	29,041

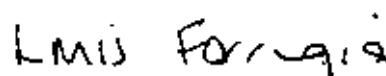
The financial statements on pages 20 to 43 were authorised for issue by the Board of Directors on 28 April 2004 and were signed on its behalf by:



Bryan A. Gera
Chairman



Vincent Curmi
Vice-Chairman



Louis A. Farrugia
Group Chief Executive

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 January 2004

	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 2002		6,000	110	2,280	5,670	14,060
Issue of share capital		214	814	-	-	1,028
Share capital issue costs		-	(32)	-	-	(32)
Redemption of preference shares		(3,000)	-	-	-	(3,000)
Transfer to capital redemption reserve		-	-	2,004	(2,004)	-
Profit for the financial year		-	-	-	1,038	1,038
Dividends relating to 2002	8	-	-	-	(400)	(400)
Preference dividends relating to 2003	8	-	-	-	(156)	(156)
Balance at 31 January 2003		3,214	892	4,284	4,148	12,538
Balance at 1 February 2003		3,214	892	4,284	4,148	12,538
Profit for the financial year		-	-	-	2,600	2,600
Dividends relating to 2003	8	-	-	-	(460)	(460)
Balance at 31 January 2004		3,214	892	4,284	6,288	14,678
COMPANY						
Balance at 1 February 2002		6,000	110	2,280	6,622	15,012
Issue of share capital		214	814	-	-	1,028
Share capital issue costs		-	(32)	-	-	(32)
Redemption of preference shares		(3,000)	-	-	-	(3,000)
Transfer to capital redemption reserve		-	-	2,004	(2,004)	-
Profit for the financial year		-	-	-	878	878
Dividends relating to 2002	8	-	-	-	(400)	(400)
Preference dividends relating to 2003	8	-	-	-	(156)	(156)
Balance at 31 January 2003		3,214	892	4,284	4,940	13,330
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

CASH FLOW STATEMENTS

Year ended 31 January 2004

	Notes	Group		Company	
		2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Operating activities					
Cash generated from operations	23	4,426	3,671	2,676	2,690
Interest received		28	23	103	93
Interest paid		(808)	(797)	(701)	(640)
Tax paid		(181)	(40)	(51)	-
Net cash from operating activities		3,465	2,857	2,027	2,143
Investing activities					
Acquisition of intangible fixed assets	9	(53)	(97)	-	(81)
Purchase of property, plant and equipment	10	(1,508)	(1,134)	(1,278)	(610)
Proceeds from sale of property, plant and equipment		76	187	46	138
Purchase of investment property	11	(110)	(188)	-	-
Proceeds from sale of investment property		-	450	-	-
Acquisition of Group undertakings, including cash and cash equivalents acquired	25	(346)	(310)	-	-
Movements in investments in Group undertakings		4	-	(190)	(205)
Increase in loans to Group undertakings		-	-	(890)	-
Net cash used in investing activities		(1,937)	(1,092)	(2,312)	(758)
Financing activities					
Issue of share capital		-	1,028	-	1,028
Redemption of preference shares		-	(3,000)	-	(3,000)
Issue of bonds	20	-	6,000	-	6,000
Proceeds from short and long-term borrowings		357	1,500	357	1,500
Payments of short and long-term borrowings		(1,733)	(4,230)	(584)	(4,001)
Dividends paid	8	(460)	(556)	(460)	(556)
Bond and share capital issue costs		-	(96)	-	(96)
Net cash (used in)/from financing activities		(1,836)	646	(687)	875
Movement in cash and cash equivalents					
		(308)	2,411	(972)	2,260
Cash and cash equivalents at beginning of year					
		(1,637)	(4,048)	(401)	(2,661)
Cash and cash equivalents at end of year					
	24	(1,945)	(1,637)	(1,373)	(401)

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, 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.

2. CONSOLIDATION

Group undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights, or otherwise has power to exercise control over the operations, have been consolidated. Group undertakings are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All inter-company transactions between Group undertakings have been eliminated. Where necessary, accounting policies for Group and Associated undertakings have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interest. A listing of the Group's undertakings is set out in note 12 to the financial statements.

3. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Investments in Associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for long-term impairment in value.

Equity accounting involves recognising in the profit and loss account the Group's share of the Associated undertakings' profit or loss for the year. The Group's interest in the Associated undertakings is carried in the balance sheet at an amount that reflects its share of the net assets of the Associated undertakings and includes goodwill on the acquisition. A listing of the Group's Associated undertakings is set out in note 13 to the financial statements.

4. 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.

5. 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 21 – Accounting for derivative financial instruments and hedging activities.

6. 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 assets of the

acquired Group/Associated undertaking at the date of acquisition. Goodwill on acquisitions is amortised using the straight-line method over its estimated useful life.

Franchise rights are included in the financial statements at cost less amortisation. Amortisation is calculated to write down the cost of these assets in equal instalments over the period of the franchise agreement.

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.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant, machinery 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.

Where an indication of impairment exists, in that the carrying amount of a 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.

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.

8. INVESTMENT PROPERTY

Investment property, principally comprises properties held for long-term rental yields that are not occupied by the Group. Investment property is treated as a long-term investment and is initially carried at cost.

Investment property is stated in the balance sheet at cost less accumulated depreciation and impairment charges. Maintenance expenses and repairs are recognised as an expense. Subsequent expenditure that increases the value of property is capitalised if it extends the useful life. The capitalised costs of buildings are amortised over hundred years at most, in accordance with their useful lives.

If the recoverable amount of land and buildings falls below its carrying amount and the diminution in value is likely to be permanent, the carrying amount is reduced to the recoverable amount. Any impairment loss is recognised as an investment expense in the profit and loss account. Realised gains and losses on the sale of investment property are credited or charged to the profit and loss account.

The fair value of these properties is disclosed in the financial statements and is based on active market prices, taking into consideration the nature, location or condition of the specific asset. These valuations are revisable annually by the directors.

9. INVESTMENTS – ORIGINATED LOANS

The Group classifies its other investments as originated loans. Securities 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.

FINANCIAL STATEMENTS

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. 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.

11. 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. Bad debts are written off during the year in which they are identified.

12. 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.

13. DEFERRED TAX

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

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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. They are depreciated over their expected useful lives on a basis consistent with similarly owned investment property.

21. 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.

22. 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

The Group's operations consist of the brewing, production and sale of branded beers and beverages, the importation and sale of 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.

	Brewing, production & sale of branded beers & beverages Lm'000	Importation & sale of beverages, including wines & spirits Lm'000	Operation of franchised food retailing establishments Lm'000	Property management Lm'000	Group Lm'000
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	(139)	2,436
Unallocated costs					(653)
Operating profit					1,783
Investment income	11	4	-	13	28
Interest payable					(808)
Profit on ordinary activities before tax					1,003
Tax on profit on ordinary activities					1,485
Profit before minority interest					2,488
Minority interest					112
Net profit for the financial year					2,600
Segment assets	20,035	4,360	3,522	4,084	32,001
Associated undertakings	-	-	-	1	1
Unallocated assets					352
Total assets					32,354
Segment liabilities	3,047	952	305	387	4,691
Unallocated liabilities					12,751
Total liabilities					17,442
Capital expenditure	1,408	43	84	157	1,692
Depreciation	1,530	30	255	169	1,984
Amortisation	136	36	24	1	197
Provision for bad and doubtful debts	48	10	-	2	60

FINANCIAL STATEMENTS

1. SEGMENT INFORMATION (continued)

	Brewing, production & sale of branded beers & beverages Lm'000	Importation & sale of beverages, including wines & spirits Lm'000	Operation of franchised food retailing establishments Lm'000	Property management Lm'000	Group Lm'000
2003					
Turnover	16,039	5,472	2,784	364	24,659
Less: inter-divisional sales	(198)	(680)	-	(189)	(1,067)
	15,841	4,792	2,784	175	23,592
Segment result	2,051	278	(18)	94	2,405
Unallocated costs					(616)
Operating profit					1,789
Investment income	23	-	-	203	226
Interest payable					(797)
Share of losses of Associated undertakings	-	-	(123)	-	(123)
Profit on ordinary activities before tax					1,095
Tax on profit on ordinary activities					(53)
Profit before minority interest					1,042
Minority interest					(4)
Net profit for the financial year					1,038
Segment assets	21,037	3,363	4,207	3,488	32,095
Associated undertakings	-	-	-	1	1
Total assets					32,096
Segment liabilities	3,207	368	298	271	4,144
Unallocated liabilities					15,072
Total liabilities					19,216
Capital expenditure	822	47	677	658	2,204
Depreciation	1,541	33	280	122	1,976
Amortisation	107	35	18	1	161
Provision for bad and doubtful debts	114	17	-	(105)	26

Segment assets consist primarily of land and buildings, investment property, plant, machinery and equipment, intangible fixed assets, stocks, debtors and cash at bank and in hand, and exclude non-current assets. 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 the acquisition of Group undertakings (note 25).

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING PROFIT

Operating profit is stated after (crediting)/charging:

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Foreign exchange differences	(55)	29	(2)	37
Directors' fees	40	37	40	37
Directors' other emoluments	86	83	86	83
Staff costs (note 3)	5,523	5,220	3,916	3,899
Profit on sale of property, plant and equipment	(34)	(21)	(25)	(11)
Depreciation of property, plant and equipment (note 10)	1,975	1,973	1,484	1,490
Depreciation of investment property (note 11)	9	3	-	-
Amortisation of intangible fixed assets (note 9)	189	159	107	103
Amortisation of bond issue costs (note 20)	8	2	8	2
Auditors' remuneration	27	26	10	9
Provision for bad and doubtful debts	60	26	44	110
Bad debts	12	5	-	-
Operating lease premium	-	(80)	-	-
Property rentals payable	158	179	48	57
Operating motor vehicles lease rentals payable	91	99	78	74

3. STAFF COSTS

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Wages and salaries	5,101	4,813	3,596	3,577
Social security costs	382	358	280	273
Other pension costs	40	49	40	49
	5,523	5,220	3,916	3,899

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

	Group		Company	
	2004	2003	2004	2003
Brewing, production and sale of branded beers and beverages	529	538	505	522
Importation and sale of beverages, including wines and spirits	59	56	-	-
Operation of franchised food retailing establishments	200	183	-	-
Property management	4	5	-	-
	792	782	505	522

4. INVESTMENT INCOME

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Profit on sale of investment property	-	203	-	-
Interest on loans and amounts owed by Group undertakings	-	-	92	74
Other interest receivable	28	23	11	19
	28	226	103	93

FINANCIAL STATEMENTS

5. INTEREST PAYABLE

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Bank loans and overdrafts	376	596	275	459
Bonds	389	104	389	104
Other	43	97	37	77
	808	797	701	640

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Current tax	101	193	-	125
Deferred tax charge/(credit) (note 15)	164	(140)	-	(113)
	265	53	-	12
Changes to the opening tax provisions consequent to benefits under the Business Promotion Regulations, 2001:				
Current tax	(106)	-	(106)	-
Deferred tax credit (note 15)	(1,644)	-	(1,515)	-
	(1,750)	-	(1,621)	-
Tax (credit)/charge	(1,485)	53	(1,621)	12

The Company is eligible to benefits available under the Business Promotion Regulations, 2001. These benefits are available as from year of assessment 2004 and include investment tax credits as well as reduced rates of tax applicable up to year of assessment 2009.

Accordingly, the Group's tax provisions for the year ended 31 January 2003 have been re-calculated using the benefits available. This has resulted in a write back of tax provisions amounting to Lm1,750,000.

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

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Profit on ordinary activities before tax	1,003	1,095	1,065	890
Tax on ordinary profit at 35%	351	383	372	312
Tax effect of:				
Benefits available under the Business Promotion Act, including reduced rates of tax, investment tax credits and allowances	(1,411)	(376)	(1,411)	(376)
Changes to the opening tax provisions due to benefits under the Business Promotion Regulations, 2001	(1,750)	-	(1,621)	-
Unrecognised deferred tax assets	1,248	-	1,004	-
Non allowable expenses	91	87	47	29
Income not subject to tax	(12)	(75)	(12)	-
Other differences	(2)	34	-	47
Tax (credit)/charge	(1,485)	53	(1,621)	12

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	
	2004	2003	2004	2003
Net profit attributable to Ordinary shareholders (Lm'000)	2,600	882	2,686	722
Weighted average number of Ordinary shares in issue (thousands)	25,714	24,413	25,714	24,413
Earnings per share	10c1	3c6	10c4	3c0

8. DIVIDENDS

	Company	
	2004 Lm'000	2003 Lm'000
Ordinary shares		
Interim dividend	70	60
Final dividend	390	340
Total net dividends	460	400
Cents per share	1c8	1c7
6% (net) Cumulative redeemable preference shares		
Gross and net dividend	-	156
Total net dividends	460	556

The interim dividend of Lm70,000 and the final dividend of Lm390,000 in respect of the year ended 31 January 2003, were announced to the Ordinary shareholders on 26 March 2003 and 23 April 2003 respectively. These dividends were paid out of tax exempt profits.

An interim dividend of Lm90,000 was announced on 26 March 2004 and is payable to the Ordinary shareholders on 29 April 2004. At the forthcoming Annual General Meeting a final dividend of Lm514,000 in respect of the financial year ended 31 January 2004 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 2005.

FINANCIAL STATEMENTS

9. INTANGIBLE FIXED ASSETS

Group	Goodwill Lm'000	Franchise rights Lm'000	Total Lm'000
Year ended 31 January 2004			
Opening net book amount	175	1,057	1,232
Acquisition of Group undertaking (note 25)	53	-	53
Amortisation	(58)	(131)	(189)
Closing net book amount	170	926	1,096
At 31 January 2004			
Cost	330	1,310	1,640
Accumulated amortisation	(160)	(384)	(544)
Net book amount	170	926	1,096
At 31 January 2003			
Cost	277	1,310	1,587
Accumulated amortisation	(102)	(253)	(355)
Net book amount	175	1,057	1,232
Company			
Year ended 31 January 2004			
Opening net book amount			924
Amortisation			(107)
Closing net book amount			817
At 31 January 2004			
Cost			1,031
Accumulated amortisation			(214)
Net book amount			817
At 31 January 2003			
Cost			1,031
Accumulated amortisation			(107)
Net book amount			924

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 2004			
Opening net book amount	8,668	7,988	16,656
Acquisition of Group undertaking (note 25)	-	21	21
Additions	62	1,446	1,508
Disposals	(43)	(567)	(610)
Transfer to investment property (note 11)	(290)	-	(290)
Depreciation	(157)	(1,818)	(1,975)
Depreciation released on disposal	43	525	568
Closing net book amount	8,283	7,595	15,878
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
At 31 January 2003			
Cost	10,539	30,863	41,402
Accumulated depreciation	(1,871)	(22,875)	(24,746)
Net book amount	8,668	7,988	16,656

During the year ended 31 January 2004, property, plant and equipment with a carrying amount of Lm290,000 (2003: Lm622,000) were transferred to investment property upon change in intended use.

Bank borrowings are secured by the Group's property, plant and equipment (note 20 refers).

Company	Land & buildings Lm'000	Plant, machinery & equipment Lm'000	Total Lm'000
Year ended 31 January 2004			
Opening net book amount	2,955	6,345	9,300
Additions	43	1,235	1,278
Disposals	(32)	(358)	(390)
Depreciation	(76)	(1,408)	(1,484)
Depreciation released on disposal	32	337	369
Closing net book amount	2,922	6,151	9,073
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
At 31 January 2003			
Cost	4,216	26,733	30,949
Accumulated depreciation	(1,261)	(20,388)	(21,649)
Net book amount	2,955	6,345	9,300

Bank borrowings are secured by the Company's property, plant and equipment (note 20 refers).

FINANCIAL STATEMENTS

11. INVESTMENT PROPERTY

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Year ended 31 January				
Opening net book amount	820	261	-	-
Additions	110	188	-	-
Transfer from property, plant and equipment (note 10)	290	622	-	-
Disposals	-	(250)	-	-
Depreciation	(9)	(3)	-	-
Depreciation released on disposal	-	2	-	-
Closing net book amount	1,211	820	-	-
At 31 January				
Cost	1,298	858	-	-
Accumulated depreciation	(87)	(38)	-	-
Net book amount	1,211	820	-	-

During the year ended 31 January 2004, property, plant and equipment with a carrying amount of Lm290,000 (2003: Lm622,000) were transferred to investment property upon change in intended use.

Leased assets included above, where the Group is a lessor, comprising property leased out under operating leases, have a carrying amount of Lm819,000 (2003: Lm421,000).

The fair values of the Group investment properties as at the balance sheet date amounted to Lm1,808,000 (2003: Lm1,480,000). These valuations were approved by the Directors on the basis of advice from the Group's architect, having regard to current market values and taking into consideration the nature, location and condition of the specific properties.

Bank borrowings are secured by the Group's investment property (note 20 refers).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN GROUP UNDERTAKINGS

	Company	
	2004 Lm'000	2003 Lm'000
Year ended 31 January		
Opening net book amount	7,137	3,299
Additions	190	205
Capitalisation of loans to Group undertakings (note 14)	-	3,483
Provision for diminution in value	-	150
Closing net book amount	7,327	7,137
At 31 January		
Cost	7,877	7,687
Provision for diminution in value	(550)	(550)
Net book amount	7,327	7,137

The Group undertakings all of which are unlisted at 31 January 2004 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2004	2003
Anthony Caruana & Sons Limited	303 Qormi Road, Marsa	Importation and sale 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 Gwakkim, 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
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 (formerly Bon Vivant Limited)	303 Qormi Road, Marsa	Importation and sale of 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
Sliema Fort Company Limited	303 Qormi Road, Marsa	Property leasing	100	100
Trident Developments Limited	The Brewery, Notabile Road, Mriehel	Property holding and development	100	100
Vita Sana srl	Villorba, Via Nobel N6, Treviso - Italy	Sale and distribution of bottled water in Italy	51	100
Wands Limited	303 Qormi Road, Marsa	Importation and sale of beverages, wines and spirits	100	100

FINANCIAL STATEMENTS

13. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Year ended 31 January				
Opening net book amount	1	74	1	1
Share of results of Associated undertakings	-	(123)	-	-
Released on acquisition of Group undertaking	-	50	-	-
Closing net book amount	1	1	1	1
At 31 January				
Cost and net book amount	1	1	1	1

The Associated undertakings all of which are unlisted at 31 January 2004 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2004	2003
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		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Loans to Group and Associated undertakings				
Year ended 31 January				
Opening net book amount	-	220	-	4,505
Additions	-	-	890	-
Released on acquisition of Group undertaking	-	(220)	-	-
Capitalisation of loans (note 12)	-	-	-	(3,483)
Transfers to amounts owed by Group undertakings	-	-	-	(1,022)
Closing net book amount	-	-	890	-
At 31 January				
Cost and net book amount	-	-	890	-

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. DEFERRED TAX

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 5% (2003: 35%) 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% (2003: 35%).

The movement in the deferred tax account is as follows:

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
At beginning of year	(1,128)	(1,304)	(1,515)	(1,628)
Credited to the profit and loss account (note 6)	1,480	140	1,515	113
Acquisition of Group undertaking	-	36	-	-
At end of year	352	(1,128)	-	(1,515)

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	Capital gains Lm'000	Tax losses Lm'000	Provisions Lm'000	Total Lm'000
Group						
At 1 February 2002	(1,562)	-	28	63	167	(1,304)
Profit and loss account - credit	297	-	(28)	-	(129)	140
Acquisition of Group undertaking	9	-	-	5	22	36
At 31 January 2003	(1,256)	-	-	68	60	(1,128)
At 1 February 2003	(1,256)	-	-	68	60	(1,128)
Profit and loss account - credit	1,219	313	(40)	(38)	26	1,480
At 31 January 2004	(37)	313	(40)	30	86	352
Company						
At 1 February 2002	(1,915)	-	(30)	-	317	(1,628)
Profit and loss account - credit	283	-	(10)	-	(160)	113
At 31 January 2003	(1,632)	-	(40)	-	157	(1,515)
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 31 January 2004, the Group had unrecognised deferred tax assets amounting to Lm1,248,000 (2003: LmNil) consisting of unutilised tax credits arising from:

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Unutilised investment tax credits	1,004	-	1,004	-
Unabsorbed tax losses	65	-	-	-
Unabsorbed capital allowances	179	-	-	-
	1,248	-	1,004	-

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

FINANCIAL STATEMENTS

16. STOCKS

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Raw materials and consumables	1,371	1,275	1,117	987
Finished goods and goods for resale	2,582	2,165	839	906
General stores	837	867	775	808
Bottles, cases and kegs	1,306	1,573	1,253	1,520
	6,096	5,880	3,984	4,221

17. DEBTORS

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Trade debtors	4,459	4,242	2,732	2,763
Amounts owed by Group undertakings	-	-	2,952	2,058
Amounts owed by Associated undertakings	55	55	55	55
Other debtors	2,265	2,349	1,880	2,073
Prepayments and accrued income	669	556	309	406
	7,448	7,202	7,928	7,355

Amounts included above which are due after more than one year:

Amounts owed by Group undertakings	-	-	1,793	1,123
Other debtors	1,189	1,316	1,189	1,316

Debtors are stated net of provision for bad and doubtful debts as follows:

Trade and other debtors	747	687	565	521
-------------------------	-----	-----	-----	-----

Amounts owed by Group and Associated undertakings are unsecured, interest free and are repayable on demand, except for an amount of Lm1,541,000 (2003: Lm275,000) which is subject to an average interest rate of 5.4% (2003: 8%).

18. SHARE CAPITAL

	Company	
	2004 Lm'000	2003 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. OTHER RESERVES

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Incentives and Benefits reserve	1,080	1,080	1,080	1,080
Capital Redemption reserve	3,204	3,204	3,204	3,204
	4,284	4,284	4,284	4,284

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. BORROWINGS

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Falling due within one year				
Bank overdrafts	2,174	1,902	1,405	504
Bank loans	793	640	793	543
Industrial Development Act, 1988 - soft loan	40	40	40	40
Other loans	108	54	-	-
	3,115	2,636	2,238	1,087
Falling due after more than one year				
6.25% Bonds 2006-2008	1,991	1,988	1,991	1,988
6.6% Bonds 2010-2012	3,955	3,950	3,955	3,950
Bank loans	3,406	4,786	3,406	3,843
Industrial Development Act, 1988 - soft loan	100	140	100	140
Other loans	75	152	-	-
	9,527	11,016	9,452	9,921
Total borrowings	12,642	13,652	11,690	11,008

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

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 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	10	2	10	2
Net book amount	(54)	(62)	(54)	(62)
Amortised cost	5,946	5,938	5,946	5,938

FINANCIAL STATEMENTS

20. BORROWINGS (continued)

The quoted market price as at 31 January 2004 for the 6.25% Bonds 2006-2008 was Lm105 (2003: Lm102) and Lm107 (2003: Lm104) 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 Industrial Development Act,1988 soft loan 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 2004 and 2003 amounted to Lm10,283,000 and Lm11,489,000 for the Group, and Lm8,192,000 and Lm7,786,000 for the Company respectively.

Interest rate exposure:

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
At floating rates	4,246	4,622	3,402	2,184
At fixed rates	8,396	9,030	8,288	8,824
Total borrowings	12,642	13,652	11,690	11,008

Weighted average effective interest rates:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Bank overdrafts	4.42	5.31	4.34	5.00
Bank loans	4.92	5.79	4.92	5.60
Bonds 2006-2008	6.25	6.25	6.25	6.25
Bonds 2010-2012	6.60	6.60	6.60	6.60
Industrial Development Act,1988 - soft loan	2.86	3.48	2.86	3.48
Other loans	5.34	5.34	-	-

Maturity of borrowings falling due after more than one year:

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Between 1 and 2 years	864	983	864	770
Between 2 and 5 years	4,383	4,658	4,383	4,038
Over 5 years	4,280	5,375	4,205	5,113
	9,527	11,016	9,452	9,921

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. TRADE AND OTHER CREDITORS

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Falling due within one year				
Trade creditors	1,619	1,278	599	687
Other creditors	932	967	634	833
Indirect taxes and social security	454	479	350	400
Accruals and deferred income	1,686	1,315	1,241	1,024
	4,691	4,039	2,824	2,944
Falling due after more than one year				
Other creditors	-	105	-	105
Total trade and other creditors	4,691	4,144	2,824	3,049

Other creditors include capital creditors of Lm286,000 (2003: Lm840,000) for the Group and Lm205,000 (2003: Lm715,000) for the Company. These amounts are subject to an average interest rate of 6.4% (2003: 4.9%). Amounts of Lm205,000 (2003: Lm840,000) are secured by special hypothecs over the assets acquired.

22. MINORITY INTEREST

	Group	
	2004 Lm'000	2003 Lm'000
At beginning of year	342	423
Share of net (loss)/profit of Group undertakings	(112)	4
Release of investment in Group undertaking	4	-
Release of reserve on acquisition of minority interest	-	(85)
At end of year	234	342

23. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Operating profit	1,783	1,789	1,663	1,287
Adjustments for:				
Depreciation of property, plant and equipment (note 10)	1,975	1,973	1,484	1,490
Depreciation of investment property (note 11)	9	3	-	-
Profit on sale of property, plant and equipment	(34)	(21)	(25)	(11)
Amortisation of intangible fixed assets (note 9)	189	159	107	103
Amortisation of bond issue costs (note 20)	8	2	8	2
Changes in working capital:				
Trade and other debtors	(40)	(233)	(573)	(553)
Stocks	(16)	590	237	668
Trade and other creditors	552	(591)	(225)	(296)
Cash generated from operations	4,426	3,671	2,676	2,690

FINANCIAL STATEMENTS

24. 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	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Cash at bank and in hand	229	265	32	103
Bank overdrafts	(2,174)	(1,902)	(1,405)	(504)
	(1,945)	(1,637)	(1,373)	(401)

25. ACQUISITION

On 17 November 2003, the Group acquired a business concern named 'Guido Vella Cash and Carry'. The acquired business contributed revenues of Lm588,000 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.

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

	Lm'000
Purchase consideration - cash paid	346
Purchase consideration - still due	154
	500
Fair value of net assets acquired	(447)
Goodwill (note 9)	53

The fair value of the net assets approximated to the book value of the net assets acquired and, no closure provisions or other restructuring provisions were necessary.

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

	Lm'000
Property, plant and equipment (note 10)	21
Stocks	200
Debtors	230
Creditors	(4)
Fair value of net assets acquired	447
Goodwill (note 9)	53
Total purchase consideration	500
Less:	
Purchase consideration - still due	(154)
Net cash outflow on acquisition	346

In 2003, the Group acquired the remaining shareholding in Eco Pure Premium Water Co. Limited and Sliema Fort Company Limited increasing its holding in both undertakings to 100%.

26. CONTINGENT LIABILITIES

At 31 January 2004, the Group had contingent liabilities amounting to Lm1,078,000 (2003: Lm777,000) in respect of guarantees issued by the bank on its behalf in favour of third parties in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS

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

	2004	2003
	Percentage holding	
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 and are not material for disclosure purposes.

28. 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 2004 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	
	2004	2003
	Lm'000	Lm'000
US Dollar (at rates averaging Lm1 = USD2.8054)	120	-

The fair values of open contracts at 31 January 2004 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 an allowance 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 20 and 21 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 2004 and 2003 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.

29. CAPITAL COMMITMENTS

Capital expenditure

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

	Group		Company	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Contracted but not provided for	83	559	83	559
Authorised but not contracted	1,319	1,446	1,032	1,339
	1,402	2,005	1,115	1,898

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	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Not later than 1 year	111	88	57	141
Later than 1 year and not later than 5 years	442	358	80	242
Later than 5 years and not later than 30 years	2,075	1,526	-	-
Later than 30 years	7,708	8,099	-	-
	10,336	10,071	137	383

Non-cancellable operating lease payments disclosed above as 'Later than 30 years' expire within 81 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	
	2004 Lm'000	2003 Lm'000	2004 Lm'000	2003 Lm'000
Not later than 1 year	286	184	7	7
Later than 1 year and not later than 5 years	845	488	14	21
Later than 5 years	2,451	1,294	-	-
	3,582	1,966	21	28

30. POST BALANCE SHEET EVENT

On 3 March 2004, the Group announced that it had signed a preliminary agreement with Law. Quintano & Co. Limited for the acquisition of the assets of its food importation and distribution business in the local market. The final agreement will be signed on 29 April 2004.

31. STATUTORY INFORMATION

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

32. COMPARATIVE INFORMATION

Certain 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 2004	Ordinary shares held as at 21 April 2004	Movement in shares held by directors
Bryan A. Gera	69,097	69,097	-
Vincent Curmi	5,200	5,200	-
Louis A. Farrugia	19,512	19,512	-
Anthony P. Galdes	8,000	8,000	-
Marcus John Scicluna Marshall	5,020	5,020	-
Luke L. Miceli	-	-	-
Marcantonio Stagno d'Alcontres	-	-	-
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 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. Mr. 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 2004 to 21 April 2004.

Shareholders holding 5% or more of the equity share capital at 21 April 2004

	Number	Ordinary shares 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 21 April 2004, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of 12c5 each	1,708

The holders of the Ordinary shares have equal voting rights.

Number of shareholders at 21 April 2004

	Number of shareholders	Number of shares	Percentage holding
ORDINARY SHARES OF 12c5 EACH			
Up to 500 shares	506	122,598	0.48
501 - 1,000	304	218,657	0.85
1,001 - 5,000	701	1,610,331	6.26
More than 5,000	197	23,762,700	92.41
	1,708	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

	2004 Lm'000	2003 Lm'000	2002 Lm'000	2001 Lm'000	2000 Lm'000
Turnover	24,725	23,592	22,867	22,544	21,271
Operating costs	(22,942)	(21,803)	(21,770)	(20,867)	(19,779)
Operating profit	1,783	1,789	1,097	1,677	1,492
Investment income	28	226	18	12	136
Finance costs	(808)	(797)	(552)	(544)	(600)
Share of losses of Associated companies	-	(123)	(156)	(113)	(119)
Profit before tax	1,003	1,095	407	1,032	909
Tax	1,485	(53)	198	(173)	(256)
Profit before minority interest	2,488	1,042	605	859	653
Minority interest	112	(4)	(13)	(6)	(2)
Profit for the year	2,600	1,038	592	853	651
Dividends declared on:					
Ordinary shares	460	400	400	360	210
Preference shares	-	156	180	180	294
Total dividends (net)	460	556	580	540	504
Ordinary share capital and reserves	14,912	12,880	11,483	11,106	10,787
Preference shares	-	-	3,000	3,000	3,000
Shareholders' funds	14,912	12,880	14,483	14,106	13,787
Borrowings	12,642	13,652	11,844	8,509	8,137
Deferred tax	-	1,128	1,304	1,639	1,481
Total capital employed	27,554	27,660	27,631	24,254	23,405
Fixed assets	18,186	18,709	19,347	15,545	15,569
Deferred tax	352	-	-	-	-
Current assets	13,816	13,387	13,667	12,388	11,305
Liabilities (excluding borrowings)	(4,800)	(4,436)	(5,383)	(3,679)	(3,469)
Total assets less current liabilities	27,554	27,660	27,631	24,254	23,405
Shares in issue during the financial year:					
- Ordinary shares	'000	25,714	24,413	24,000	24,000
- 6% Preference shares of Lm10 each	'000	-	216	300	300
Number of Ordinary and Preference shareholders		1,708	1,699	4,237	4,228
Earnings per Ordinary share (reference note 7)		10c1	3c6	1c7	2c8
Return on average capital employed	percentage	7.0	6.8	3.6	6.5
Dividend cover	times	5.65	1.87	1.02	1.58
Dividends per Ordinary share (net of tax)		1c8	1c7	1c7	1c5
Net asset value per Ordinary share		58c	50c	48c	46c
Gearing	percentage	45.9	49.4	53.7	47.5

Certain **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 attributable to the Ordinary shareholders 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.



The Farsons Group includes an increasingly diversified and dynamic portfolio of related businesses, comprising:

- Anthony Caruana & Sons Limited
- Burger Operations Limited
- Eco Pure Premium Water Co. Limited
- Farsons Italia srl (Milan, Italy)
- Food Chain (Holdings) Limited
- Food Operations Limited
- Galleria Management Limited
- Guido Vella Limited
- Kentucky Operations Limited
- Mensija Catering Co. Limited
- Pizza Operations Limited
- Sliema Fort Company Limited
- Trident Developments Limited
- Vita Sana srl (Treviso, Italy)
- Wands Limited

In an increasingly liberalised market, our Group will prioritise its focus on brands and leverage its experience and marketing know-how to gain competitive advantage. We are confident that this strategy, combined with continued dedication to quality, will enable us to continue to maximise the value we provide to our shareholders and to reward our employees.

Louis A. Farrugia
Group Chief Executive