



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

The Farsons Group is transforming itself at a rapid pace. Not only are we nurturing our dynamic portfolio of resilient brands but we are addressing in a prudent and rational manner, the realities of the marketplace through investment and re-engineering

.....addressing  
the realities  
of the marketplace  
through  
investment  
and re-engineering

Louis A. Farrugia  
Group Chief Executive



[www.farsons.com](http://www.farsons.com)



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

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## Directors, Board Committees, Group Executives and Senior Management

### – BOARD OF DIRECTORS –

Bryan A. Gera - Chairman  
 Vincent Curmi - Vice-Chairman  
 Louis A. Farrugia - Group Chief Executive  
 Dr. Max Ganado  
 Marcantonio Stagno d'Alcontres  
 Marquis Marcus John Scicluna Marshall  
 Alberto Miceli Farrugia  
 Arthur Muscat - Company Secretary

### – CORPORATE GOVERNANCE COMMITTEE –

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

### – RELATED PARTY TRANSACTIONS COMMITTEE –

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

### – REMUNERATION COMMITTEE –

Bryan A. Gera - Chairman  
 Vincent Curmi  
 Marquis Marcus John Scicluna Marshall  
 Dr. Max Ganado

### – NEW VENTURES, ACQUISITIONS, MERGERS COMMITTEE –

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

### – AUDIT COMMITTEE –

Vincent Curmi - Chairman  
 Marquis Marcus John Scicluna Marshall  
 Dr. Max Ganado

### – GROUP EXECUTIVE BOARD –

Louis A. Farrugia - Chairman & Group Chief Executive  
 Paul Micallef - Chief Operating Officer  
 Arthur Muscat - Company Secretary  
 Charles Xuereb - Chief Financial Officer  
 Ray Grech - Chief Marketing Officer  
 Norman Aquilina - Managing Director  
 Quintano Foods Limited  
 Josef Formosa Gauci - Secretary

### – SENIOR MANAGEMENT –

Geoffrey Borg - General Manager -  
 Sales, Credit & Distribution  
 Albert F. Calleja - Chief Development Officer  
 Stefania Conte - General Manager -  
 Food Chain Holdings Limited  
 Josef Formosa Gauci - General Manager -  
 Trident Developments Limited  
 Ray Sciberras - Chief Production Officer  
 Pierre Stafrace - General Manager - Wands Limited  
 Reno Tanti - General Manager - Guido Vella Limited

### – FARSONS FOUNDATION BOARD OF TRUSTEES –

Bryan A. Gera - President  
 Arthur Muscat  
 Chev. Joseph Sammut  
 Chev. Dr. Vincent Despasquale  
 Franco Masini  
 Hyacinth Muscat - Secretary

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## Chairman's Statement

As outlined in the Group Chief Executive's review this has been a difficult year for the Farsons Group. Group Turnover decreased by 1.8% from Lm26,669,000 to Lm26,189,000. Group Profit for the year from continuing operations amounted to Lm752,000 whilst the profit for the financial year, after taking into account the loss from the discontinued operation of Lm542,000, amounted to Lm210,000.

There are a number of reasons for these results which are detailed in the Chief Executive's review. Principally they are due to changes in our trading environment, such as reduced demand for our products from tourist outlets, increased activity from parallel imports, and below average temperatures during the summer months. All these factors have contributed to a reduced turnover and profit particularly within our beverage portfolio, both from imported products and those produced locally.

Furthermore we have had another year of losses mainly from two of our subsidiary companies, Guido Vella Limited and Galleria Management Limited.

The important message I would like to pass on to all shareholders is that your Board is taking active measures to address these issues. We have inaugurated an early retirement scheme for employees who are approaching retiring age and need not be replaced. This has already resulted in a reduction of 20 employees in the first quarter of this financial year. In fact these accounts include a one-time charge of Lm197,000 for this scheme. We have also initiated a cost reduction exercise within our administrative cost base. These two initiatives are expected to reduce our costs by Lm400,000 a year.

As announced in October when we published our six monthly results to 30 June 2005, we have been actively seeking solutions to our loss making subsidiaries and I am pleased to state that we have entered into a promise of sale for the Galleria complex in Fgura. This sale is expected to be completed in early 2007. This will result in the Group not suffering any further losses in this company. Furthermore, we have downsized the Guido Vella operation by restructuring this wholesale business into a Cash and Carry shop promoting the Farsons Group product portfolio. These last two measures will result in savings of another Lm250,000 annually.

Besides, Vita Sana srl, our Italian subsidiary, is also making progress towards profitability and we are confident it will make a profit within the next 24 months. Our Food Chain subsidiaries have been hit by rising utility costs and we have taken the decision to close a loss-making outlet at Fgura in June this year. I would however like to point out that some of the outlets that Food Chain operate do make some reasonable profits and it would be unwise to downsize this business further. We will however work on cost savings and improving revenues. This is what management is obviously focusing on.

These measures, along with the efforts to increase revenues right across Group activities outlined in the Chief Executives review, will mean that the Farsons Group will, all things being equal, return to healthy profitability within the short-term.

As announced last year we have embarked on an ambitious investment plan on a new soft drinks packaging hall, a new logistics centre, and a new brew house - all to be completed by 2010-11 at a cost of Lm14,000,000. The first phase which consists of the soft drinks packaging hall and the logistics centre is underway and scheduled to be completed by end 2007. This investment plan is vital for the future prospects of the Group. We shall be able to have a more efficient, quality driven, and cost effective operation once the projects are completed. Our operational costs will reduce due to less labour requirements and higher productivity throughout our operations.

The transfer of production to the new packaging hall and use of the new logistic centre will be completed by end 2008 and that is when a large part of the Imriehel site as well as the Wands and depot sites will become available for re-use and generate other revenue streams. As you will appreciate this is another massive undertaking which will take a considerable amount of time to mature and actuate. The Board of Trident

Developments Limited has been asked to present plans in this regard and work has started on a visionary plan. Your Board will definitely be keeping you informed of these plans in the months and years ahead. The message to shareholders is that through this plan we will be releasing in the region of 50,000 sq metres of valuable land which will be utilised to advantage. Since a large part of this land is currently occupied by our operations it has been valued at cost, which is a very small proportion of its market value. When all this happens our Balance Sheet will carry the market and realisable values of the property so released and so increase shareholder equity considerably.

At Board level we have long discussed the real value of the Group's property portfolio and have also promised shareholders that we were working to extract the best value for their benefit. The current investment plan will allow us to meet this objective and we are confident that this exercise will take place in 2008.

In view of the decrease in profits for this financial year your Board is recommending a dividend of Lm300,000 in the form of an interim of Lm50,000 and a final of Lm250,000. The interim dividend is being paid out of taxed profits and the final dividend is being paid out of tax exempt profits.

Your Board has also decided to repay the 6.25% Lm2,000,000 2006-2008 bonds in November this year. This will enable the Group to make further savings in costs since we are able to borrow funds at considerably lower rates of interest.

It is with sadness that we record the demise of two of our fellow directors, Mr. L.L. (Gino) Miceli and Mr. Anthony Galdes.

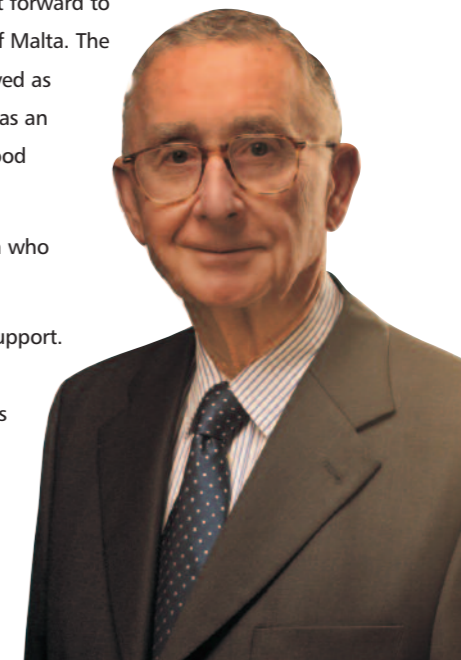
Mr. Miceli first joined the company in 1951 and later joined the Board of Directors until his passing away in September of last year. Those who worked with Mr. Miceli recall his enthusiasm and loyalty to the company as well as his contribution to the production of Kinne and Schweppes in their early days. All his colleagues on the Board attest to the very valid contribution that he made on the various topics that come up for discussion. Throughout his career with the company he conducted himself with dignity and fairness and his manner was that of a perfect gentleman.

Mr. Galdes had a distinguished career in the Civil Service. He served in many departments but mainly at the Treasury formulating government economic policy and budget planning. He acted as Permanent Secretary at the Ministry of Finance, served on many committees including pension reform. He was the first Maltese Governor of the Central Bank of Malta. In 1994 his name was put forward to succeed President Emeritus Tabone as President of the Republic of Malta. The list of his achievements is never ending. As you well know he served as Director and Vice Chairman on your Board for twelve years. He was an invaluable member of the Board and his vast contribution and good advice are sadly missed.

We welcome to the Board of Directors Mr. Alberto Miceli-Farrugia who replaced Mr. L.L. Miceli as from 1 September 2005.

I would now like to thank my colleagues on the Board for their support. Our thanks go to Mr. Louis Farrugia who was at the helm during this difficult year and to the directors of the subsidiaries as well as the entire staff of the Farsons Group. We appreciate their dedication and commitment.

We thank also our auditors PricewaterhouseCoopers for their professional help and advice. Our thanks go also to Prof. Andrew Muscat of Mamo TCV our external legal advisor.



a new soft drinks  
packaging hall,  
a new logistics  
centre, and a  
new brew house

Bryan A. Gera  
Chairman

we have  
embarked on  
an ambitious  
investment  
plan

The Farsons Group

Dynamic portfolio...



...resilient brands.



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

- > Production & Sale of Beers & Beverages
- > Importation of Food, Beverages, Wines & Spirits
- > Food Franchising
- > Property Management

Each of these companies has its own management structure with clearly defined responsibilities.

SIMONDS FARSONS CISK PLC  
 ANTHONY CARUANA & SONS LIMITED  
 BURGER OPERATIONS LIMITED  
 ECO PURE PREMIUM WATER CO. LIMITED  
 FARSONS ITALIA SRL (MILAN, ITALY)  
 FARSONS (SALES & MARKETING) LIMITED  
 FOOD CHAIN (HOLDINGS) LIMITED  
 FOOD OPERATIONS LIMITED  
 GALLERIA MANAGEMENT LIMITED  
 GUIDO VELLA LIMITED

KENTUCKY OPERATIONS LIMITED  
 MENSIIA CATERING CO. LIMITED  
 PIZZA OPERATIONS LIMITED  
 PORTANIER WAREHOUSES LIMITED  
 QUINTANO FOODS LIMITED  
 SLIEMA FORT COMPANY LIMITED  
 TRIDENT DEVELOPMENTS LIMITED  
 TRIDENT WINES LIMITED  
 VITA SANA SRL (TREVISO, ITALY)  
 WANDS LIMITED

Group Chief Executive's Review

# Economic Scenario...

The financial year under review was a difficult one for the Farsons Group. It was a year that was characterised by radical changes in the market place that have had a significant impact on the performance of our beverage businesses across the Group. It was also a year that saw further losses in certain subsidiary companies. As already announced with the publication of our half yearly results, the Group is taking immediate action to address these realities through a heavy investment programme and by re-engineering its workforce and work practices to ensure that we are well equipped for this changing scenario.

On the macro level, a difficult economic climate has prevailed during the past year. There have been increases in the prices of utilities and fuel which have increased our costs throughout our Group's activities as well as having a dampening effect on consumer spending. Tourism to Malta during 2005 was relatively flat in numbers of arrivals whilst at the same time, this important industry has a changing profile with a reduced length of stay per tourist. These adverse economic factors were further fuelled by the fact that in 2005, Malta experienced lower than average temperatures, hence lowering the demand for beverages.

The changes in the market place have resulted in new realities that need to be addressed. In 2005 we have seen a new flood of imports largely due to the advent of parallel traders who trade in all brands and challenge the traditional importer/principal relationships. This is a new reality that has taken root in 2005.

*Maltese lager consumers know their beer.*

We have also experienced illegal imports of beverages which have not been levied with the official excise duties and have entered Malta's market through unorthodox methods. Our industry has made its representations to the authorities and we sincerely hope that government's measure announced in the last budget to introduce bandarolls on importation of each bottle will go some way in reducing these illegal operations.

In the scenario described above the control of costs becomes even more crucial and corrective action is being taken to reduce operational costs wherever possible.



*Getting the party started.*

# Addressing the realities of the marketplace...

**DEVELOPMENT OF OUR BEVERAGE PORTFOLIO**

Our leadership of the beverage market requires that we remain innovative and stay in close proximity to market trends at both international and local level.

Major trends are creating significant challenges for all industry players but they also create opportunities. Harnessing these chances to seek growth, particularly, in areas where we have seasoned management expertise ready to seize the moment, is critically essential.

To take just one such trend, the worldwide phenomenon of weight consciousness, and the concerns that have come to surface in all nutritional and educational spheres, has a direct influence on our business. At Farsons we have understood the implication of such movements, and met the challenge by the extension of our bottled water business to every price level of the market, and the development of fruit flavoured water products San Michel Fruitwaves.



*Extra: Hopleaf brand extension.*

We have in fact been increasingly innovative this past year and are more than firmly convinced that this is the key to our sustainability and growth potential.

We have intensified our efforts within a New Product Development programme and focused our commitment to create new products to meet changing consumer preferences and so retain the all important competitive edge.

In 2005 we launched a new Hopleaf Ale called 'Hopleaf Extra', a 5% alcohol brew, a derivative of the Smooth and Creamy draught version which is bottled in a 25cl bottle.



*San Michel Table Water: great new look - same great quality. Fruitwaves swept the market and gained a foothold in the flavoured water sector.*



Farsons Shandy: image revamp injected new life.

After 20 years with its traditional look, the Farsons Shandy label has been re-vamped and re-launched with new Shandy flavours also in the pipeline.

Mountain Dew is the fourth leading soft drink in the United States and is a PepsiCo brand. During the last year the Company launched this new lemon based cloudy soft drink after having concluded a franchise agreement with PepsiCo International, so strengthening our excellent relationship with this prestigious global partner.

**OUR MARKETING AND SALES ORGANISATION**

As announced last year, in October 2004 we reorganised our marketing and sales function to ensure maximisation of the Group's considerable strengths whilst retaining focus at brand levels. In 2005 we reviewed the new structure's functional effectiveness, both internally and in the market place. This resulted in further fine tuning of the organisational structure put in place in 2004. A constant vigil is being held for any corrective action that might be required, and we enter the new year with a team that is better structured to meet the new challenges we are facing in the market place.

The review of trading operations has also been extended to areas such as media buying, research, credit control, and trading parameters thereby underpinning the platform on which further market liberalisation and trade consolidation is expected to move.



Maltese consumers Do the Dew.



A new livery for our new fleet strengthens the market presence of all our major brands.



The award-winning Cisk Lager Team.

**CISK AWARD**

Our focus on our two key 'own' brands, Cisk and Kinnie, has not wavered and it is a matter of great pride to us that Cisk was awarded the silver medal for the category of best bottled lager in the International Lager Competition Category Class 1 of the Brewing Industry International Awards 2005 held at the Drinktech Fair in Munich in October 2005. This competition is held once every four years and is known as the 'Oscars of the Brewing Industry'. Our award is indeed very prestigious given the high quality of the hundreds of beer brands from all over the world that participated in the competition.



**EXPORT INITIATIVES**

We are continuing in our efforts to seek overseas markets for our brands. Italy is once more expected to take centre stage for our beers as in the latter part of last year new importers were appointed in the south of the country. Worth noting is the debut of the Cisk XS Extra Strong Lager which was received with great enthusiasm by pub patrons in Italy. We intend to further pursue the export markets potential with renewed vigour and have strengthened our team with the recruitment of a new International Business Manager to seek new revenue sources from external markets.

**BEVERAGE IMPORTS**

In the beverage importation sector new challenges have had to be addressed. Both Wands Limited and Anthony Caruana & Sons Limited have faced strong competition from cross border trading on leading spirits brands, which has been fuelled by the high level of excise duty imposed on spirits in Malta when compared to neighbouring countries such as Italy. In the wine sector the liberalised market has resulted in a large increase in the number of importers and in the variety of wines imported, particularly at the lower end of the market.



Our range of locally brewed and imported brands includes world renowned names.

*Cynar joins the game with a spirit of adventure.*



*Danone: Well suited to the taste and lifestyle of today.*



The rules of the game in the Cash and Carry wholesale business in Malta have changed dramatically since our acquisition of Guido Vella Limited. A new, but increasingly common practice, is that of new wholesale trade players directly parallel importing international brands, thereby bypassing officially appointed import companies. We are actively facing these challenges whilst respecting the traditional distribution supply chains and we have consciously downsized this operation to suit our goals.

#### FOOD IMPORTS

In spite of the growing competitive pressures within the food sector as a whole, Quintano Foods Limited has continued with its positive performance. This year was its first full year of operation within the Group following its purchase in April 2004 and it has continued to perform in line with our predictions. It is clear that this business has consolidated and successfully managed to optimise on the synergies and opportunities of collaboration offered by the Group. Today this company is the fastest growing company within your Group and has established itself as a valid contributor both in terms of revenue generation and profitability.

During this year the product portfolio has been further enhanced with new products including the Tropicana fruit juice line. Given the positive outlook of this business, management is committed towards further strengthening the represented product portfolio.

#### DISPENSE WATER BOTTLES

Eco Pure Premium Water Company Limited, our subsidiary which sells 19 litre water bottles for dispense from coolers supplied by the Company, has delivered a satisfactory profit despite ever growing competitive pressures. There is a limit to growth within the Malta market which is why we have ventured into the Italian market and set up our own subsidiary Vita Sana srl based in Treviso, Italy.

We have committed considerable resources to ensure a better performance from our Italian dispense water operation. Results to date have not yet registered a profit but we expect to reach break even within the next 18 months and our investment will result in a satisfactory return shortly after this.

#### FOOD FRANCHISING

During the year under review, Food Chain (Holdings) Limited has had to face various challenges resulting from both external and internal factors. The electricity surcharge has dealt a double blow in this area. The surcharge has not only dampened consumer demand but hurt its cost base. This Company does not benefit from the capping system the Government introduced for industry and hotels which has limited the cost increases to reasonable levels.

Pizza Hut has increased its exposure in the market place by way of a mail shot across Malta aimed at promoting the brand. It has revised its menu layout and is now offering a pasta alternative to its customers. The St. Julian's outlet is being refurbished to the same specifications as Bugibba, and this outlet too will move away from the fast food idea and align itself with the casual dining concept.

Burger King has experienced some negative sales trends but we are encouraged that the Sliema outlet has experienced a turnaround during the year. This year saw the 10th Anniversary of Burger King in Malta and various marketing initiatives were carried out to mark this event. A Football Penalty Shootout was organised with the participation of local goal keepers and also the goal keeper personality of the Italian Reality Programme, Campioni.

KFC started the year very positively. A new menu layout and menu boards in conjunction with more stringent controls resulted in a much improved performance. This turnaround has however been dampened with the arrival on the international scene of Avian Flu which resulted in a sudden drop in sales of poultry products. This has happened despite repeated reassurance from health experts that there is no risk in eating cooked poultry products. Our performance over the next few months is going to be very dependant on the prolonged effect the spread of this disease may have.

TGI Fridays also experienced some challenges during the year but a new menu layout and further controls on cost of sales went some way in addressing these challenges.

The Fortizza Pizzeria, an open air venue, managed to register a positive performance. Management is looking at exploiting further the potential of this outlet.

#### PROPERTY MANAGEMENT

The Group is giving more focus to its property portfolio. The need to earn a good return on the considerable value has been declared a priority objective by the Board of Directors.

In line with this, Trident Developments Limited last year disposed of some of its property at a good return and has continued to strive to maximize rental return on its property portfolio. The Company is continuing to plan as to how to maximise its return for the benefit of all shareholders.

In the next five years a sizeable amount of land and property will be released by the Group for the benefit of starting new income streams. The Galleria Complex has continued to make substantial losses and so is a cause of concern to your Board. It has now been decided to cut our losses and dispose of this property. This is planned to take place during the next twelve months and in order to conform with International Accounting Standards, we have made a provision for the impairment of our investment.



*Burger King celebrated its 10th anniversary, whilst KFC started the year on a positive note.*



# ...through investment and a re-engineered workforce...

## RE-ENGINEERING OUR WORKING PRACTICES FOR A BETTER RETURN

One of the major costs the Group faces is its wage bill. The need to address its size is a fundamental part of our re-engineering process. We have announced an early retirement scheme to our employees. By the end of 2006 we expect that a number of employees will have taken up this offer. This scheme, together with other normal retirements, will result in a reduction of our workforce since they will not be replaced as a result of new working practices.

## INVESTING IN NEW OPERATING PRACTICES

As announced in 2005, your Board of Directors has approved a Lm14,000,000 investment programme over the next 6 years. This investment comprises of a new soft drink packaging hall, a new logistics centre (2005-2007), and a new brew house (2009-2010). We have already embarked on the 1st phase and we expect to complete on schedule and within budget in December 2007. Our objective is to rationalise our production process using the latest technology.

Work on the new soft drinks factory commenced in the first half of 2005 and all construction work has now been finalised. Work is now being carried out on the finishes of the building and the required equipment has been ordered.

When completed in December 2007 it is envisaged that this new factory will increase the Company's efficiency, reduce overheads, improve quality and put Farsons on a strong footing to meet the challenges of full liberalisation of the soft drinks market in January 2008. When this liberalisation takes place it is expected that the market will shift from soft drinks in returnable glass bottles to soft drinks in one way PET bottles. This investment is ensuring that the company is well prepared to face this expected change in the market place.

The distribution of Farsons products today is made through six depots spread across the Island, resulting in a significant amount of double handling of our products. Excavation work on the site of a new centralised logistics centre started in the last quarter of 2005 and the whole project is scheduled to be completed in December 2007. This new centre will cover an area of circa 12,700 square meters and will centralise the entire Group's beverages distribution. It will also incorporate within it new stores for Wands Limited and Anthony Caruana Limited. It will result in a more efficient, leaner operation that will give a better product to the consumer and a more efficient service to our clients, and in so doing, will free the depots spread across Malta and the Wands site.

Louis A. Farrugia  
Group Chief Executive

**New Logistics Centre**  
to be completed by end 2007

**New Brewhouse**  
planned for 2009 - 2010

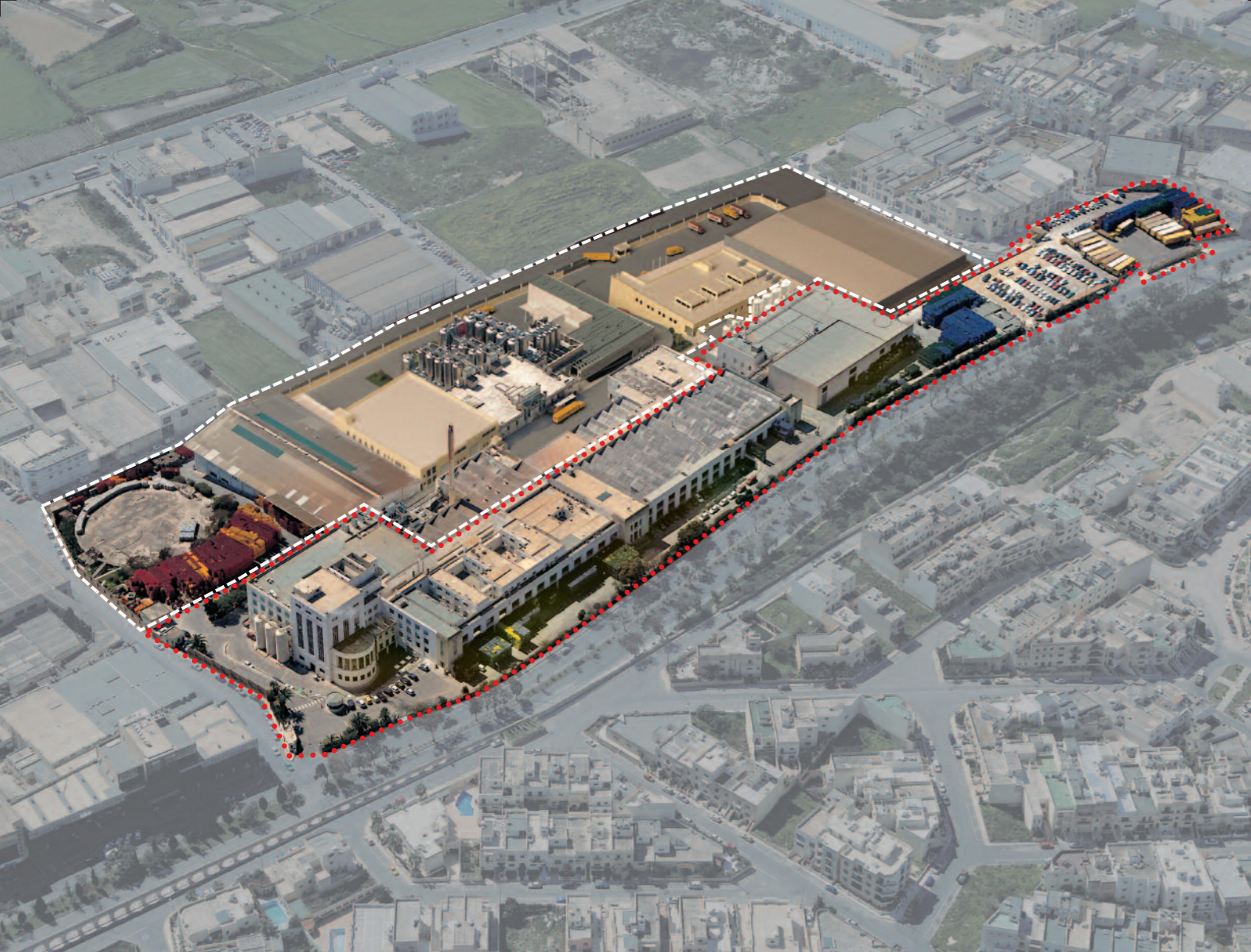
**New Soft Drinks Factory**  
to be completed by end 2007

**Process Block**

**Beer  
Packaging  
Hall**

**Reservoir**

Our objective is to  
rationalise our  
production  
process using the  
latest technology



*Transformation and Evolution - A digital photo-montage of the Mriebel site. The area marked by the broken white line shows those existing elements which will be retained, as well as the new facilities forming part of the investment programme. The substantial area marked by the dotted red line will become available for re-use.*

Your Board has approved a strategy whereby these sites will be prepared so as to be put on the market once they are vacated. These sites total in excess of 25,000 square meters of land and include some prime locations. The revenue derived from the sale of these plots of land will be used to part fund the investment programme.

The third and final phase of the investment plan is the construction of a new brewhouse. This is planned to take place in 2009-2010.

The new investment programme will not only result in the vacating of the depots and Wands site mentioned earlier. It will also release a substantial area of prime real estate used by the current operation along Mriehel Road. An area of circa 22,000 square meters stretching for half a kilometre along this road will become available for the Group to exploit in the best possible way. This could include a business park complemented by food and beverage and leisure outlets as well as an amount of retail space.

*New Brewhouse: the third and final phase, 2009 - 2010.*



As I stated at the beginning, this has been without doubt a difficult year for your Group. These difficulties however have not discouraged us but have renewed our enthusiasm to face the challenges ahead. The market place has changed and we are changing so as to ensure that we are able to address these new realities and rise to the test as we always have done in the past. Through our investment programme, by re-engineering our workforce and work practices and by exploiting our real estate portfolio we are confident that we will return to a healthy profitability within a very short period of time.

# Financial Statements

	2006	2005	2004
<b>Total assets</b>	36,300	33,531	30,140
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Called up issued share capital	18	3,214	3,214
Share premium	17	892	892
Other reserves	19	5,422	6,180
Profit and loss account	23	15,708	15,688
Minority interest	20	267	219
<b>Total equity</b>	77	25,515	26,413
<b>Liabilities</b>			
Provisions for liabilities and charges	21	5,033	5,069
Deferred tax	22	107	109
Creditors: Amounts falling due after more than one year	21	10,141	7,915
Interest-bearing borrowings	21	20,106	7,915
Creditors: Amounts falling due within one year	21	36,300	33,531
<b>Total liabilities</b>	80	51,003	57,636

## Directors' Report

The directors present their report and the audited financial statements for the year ended 31 January 2006.

**– PRINCIPAL ACTIVITIES –**

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

**– REVIEW OF THE BUSINESS –**

Group Turnover decreased by 1.8% from Lm26,669,000 to Lm26,189,000. Profit after tax for the year from continuing operations amounted to Lm752,000. The profit for the financial year after charging losses from discontinued operations amounts to Lm210,000. These financial results have been largely affected by:

- (a) changes in the market place as a result of depressed demand from tourist outlets, increased activity from parallel imports and below average temperatures in summer 2005;
- (b) trading losses in certain subsidiary companies;
- (c) a board decision to discontinue the operations of the Galleria Entertainment Complex with a resulting impairment charge of Lm404,000. A preliminary agreement to dispose of the property has been reached prior to year end;
- (d) charges in relation to an early retirement scheme amounting to Lm197,000;

The board of directors continues to take corrective action by:

- (i) reducing operating and administrative costs;
- (ii) downsizing and reorganizing the Guido Vella operation,

and is confident that profitability will increase in the short-term due to these and other measures.

**– RESULTS AND DIVIDENDS –**

The profit and loss accounts are set out on page 22.

The directors have announced a net interim dividend of Lm50,000 payable on 23 May 2006 to the Ordinary shareholders, and recommend the payment of a final dividend to the Ordinary shareholders of Lm250,000. The interim dividends are being paid out of taxed profits and the final dividends are being paid out of tax exempt profits resulting in a net dividend to the Ordinary shareholders of Lm300,000, equivalent to 1c1 per share. Net dividends to the Ordinary shareholders with regards to the year ended 31 January 2005 amounted to Lm604,000, equivalent to 2c3 per share.

**– DIRECTORS –**

The directors in office during the year ended 31 January 2006 were:

Mr. Bryan A. Gera D.B.A. – Chairman  
 Mr. Vincent Curmi C.P.A. – Vice-Chairman  
 Mr. Louis A. Farrugia F.C.A. – Group Chief Executive  
 Mr. Anthony P. Galdes M.O.M., B.A. (Hons.) Econ., F.C.I.B. – deceased 18 July 2005  
 Mr. Luke L. Miceli – resigned 1 September 2005  
 Marquis Marcus John Scicluna Marshall  
 Mr. Marcantonio Stagno d'Alcontres  
 Dr. Max Ganado LL.D.  
 Mr. Alberto Miceli Farrugia A.&C.E. – appointed 1 September 2005

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

**– AUDITORS –**

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

By Order of the Board



Bryan A. Gera  
Chairman



Vincent Curmi  
Vice-Chairman



Louis A. Farrugia  
Group Chief Executive

The Brewery, Notabile Road, Mriehel, Malta.  
26 April 2006

## 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 49), normally elect two directors for a total of six, the other two directors then being elected by the general public shareholders. In these circumstances no individual or small group of individuals will be in a position to dominate the board. The interests of the directors in the shares of the Company are disclosed in this Annual Report.

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

The board is thus composed of a non-executive Chairman, a non-executive Vice-Chairman, an executive Managing Director as CEO and five other non-executive directors. The non-executive Chairman, as well as one of the non-executive directors, are independent as they have no relationship with management or with significant shareholders. The board meets regularly every month apart from other occasions as may be needed. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub-committees as mentioned further below, either to assure good corporate governance, or to contribute more effectively to the decision making process.

Given the structure of the Company's shareholding and consequent entitlement to elect directors as explained above, it is not considered that the setting up of a formal nomination committee to advise on the selection of suitable directors or on succession and future composition of the board is called for. It is in the interest of each of the three major blocks of shareholders (who are the original promoters of the Company) to nominate as directors knowledgeable, experienced and diligent persons. Apart from this, informal arrangements, which do not infringe on their rights as shareholders, exist for consultation prior to any changes in the membership of the board, as well as to assist in the identification of suitable persons who can be nominated for election by the other public shareholders at General Meetings, and who can bring in an independent viewpoint and particular knowledge to the deliberations of the board.

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

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

## Corporate Governance - Statement of Compliance (continued)

**- 2. DIRECTORS' RESPONSIBILITIES -**

As already stated, the board of directors has overall responsibility for managing the affairs of the Company, and has the power to transact all business of whatever nature within the terms of the Company's Memorandum and Articles of Association. The board, in fulfilling this mandate and discharging its duty of stewardship of the Company and the Group, assumes responsibility for the following:

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

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

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

The CEO reports regularly to the board on the business and affairs of the Group and the commercial, economic and other risks facing it. He is also responsible to ensure that all submissions made to the board are timely, give a true and correct picture of the issue or issues under consideration, and are of high professional standards as may be required by the subject matter concerned.

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

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

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

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

**- 3. BOARD COMMITTEES -**

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

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

*Related Party Transactions Committee*, presided over by the non-executive Chairman, deals with and reports to the board on all transactions with related parties. In the case of any director who is a related party with respect to a particular transaction, such director does not participate in the committee's deliberation and decision on the transaction concerned. During the current year, control mechanisms relevant to the reporting of related party transactions have been strengthened by ensuring that information is vetted and collated on a timely basis, before reporting to the Related Party Transactions Committee for independent and final review of the transactions concerned.

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

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

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

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

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

**- 4. GOING CONCERN -**

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Group and the Company have adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

**- 5. COMMUNICATIONS WITH SHAREHOLDERS AND MARKETS -**

Within six months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the Annual Financial Statements, the Directors' and Auditors' Report for the year, to decide on dividends recommended by the board, to elect the directors and appoint the auditors. Prior to the commencement of the Annual General Meeting, a presentation is made to shareholders on the progress made and strategies adopted during the year in the light of prevailing market and economic conditions and the objectives set by the board, and an assessment on future prospects is given. The Group's presence on the worldwide web ([www.farsons.com](http://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 26 April 2006 and signed on its behalf by:



Bryan A. Gera  
Chairman



Vincent Curmi  
Vice-Chairman



Louis A. Farrugia  
Group Chief Executive

## Remuneration Report

### – DIRECTORS –

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

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

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

Directors' fees	Lm40,000
Directors' other emoluments	Lm81,000

### – SENIOR MANAGEMENT –

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

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

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

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

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

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

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

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

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

**PRICEWATERHOUSECOOPERS** 

167, Merchants Street, Valletta, Malta  
26 April 2006

## Statement of Directors' Responsibilities

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

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

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- 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 22 to 51. 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 2006 and of the profit, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the Maltese Companies Act, 1995.

**PRICEWATERHOUSECOOPERS** 

167, Merchants Street, Valletta, Malta.  
26 April 2006

Profit and Loss Accounts

	Notes	Year ended 31 January			
		Group		Company	
		2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Continuing operations:</b>					
Turnover	1	26,189	26,669	15,019	15,604
Cost of sales		(17,014)	(16,803)	(8,648)	(8,849)
<b>Gross profit</b>		<b>9,175</b>	<b>9,866</b>	<b>6,371</b>	<b>6,755</b>
Selling and distribution costs		(4,504)	(4,274)	(3,847)	(3,499)
Administrative expenses		(4,352)	(4,153)	(1,940)	(2,107)
<b>Operating profit</b>		<b>319</b>	<b>1,439</b>	<b>584</b>	<b>1,149</b>
Fair value gains on investment property	15	380	269	-	-
Investment income	6	525	20	343	228
Interest payable	7	(733)	(721)	(656)	(652)
Share of results of Associated undertaking	17	(4)	8	-	-
<b>Profit before tax</b>		<b>487</b>	<b>1,015</b>	<b>271</b>	<b>725</b>
Tax income/(expense)	9	265	(227)	(61)	(8)
<b>Profit for the year from continuing operations</b>		<b>752</b>	<b>788</b>	<b>210</b>	<b>717</b>
<b>Discontinued operations:</b>					
Loss for the year from discontinued operations	10	(542)	(179)	-	-
<b>Profit for the financial year</b>		<b>210</b>	<b>609</b>	<b>210</b>	<b>717</b>
<b>Attributable to:</b>					
Equity holders		365	624	210	717
Minority interest	26	(155)	(15)	-	-
		210	609	210	717
<b>Earnings per share on profit from continuing operations attributable to the Equity holders during the year</b>					
	11	2c9	3c1		
<b>Earnings per share on loss from discontinued operations attributable to the Equity holders during the year</b>					
	11	(1c5)	(0c6)		

Balance Sheets

	Notes	Year ended 31 January			
		Group		Company	
		2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>- ASSETS -</b>					
<b>Fixed assets</b>					
Intangible assets	13	1,481	1,772	615	718
<b>Tangible assets</b>					
Property, plant and equipment	14	14,365	16,438	8,189	7,731
Investment property	15	2,585	3,009	-	-
<b>Financial assets</b>					
Investments in Group undertakings	16	-	-	7,578	7,578
Investments in Associated undertaking	17	5	9	1	1
Investments - Loans and receivables	18	-	-	31	890
Investments - Available-for-sale	19	3	3	-	-
<b>Total fixed assets</b>		<b>18,439</b>	<b>21,231</b>	<b>16,414</b>	<b>16,918</b>
<b>Other non-current assets</b>					
Deferred taxation	20	107	-	-	-
Debtors	22	1,014	1,075	2,979	2,991
		1,121	1,075	2,979	2,991
<b>Total non-current assets</b>		<b>19,560</b>	<b>22,306</b>	<b>19,393</b>	<b>19,909</b>
<b>Current assets</b>					
Stocks	21	6,590	6,656	3,324	3,824
Debtors	22	6,971	6,959	6,856	6,362
Tax recoverable		110	35	-	-
Cash at bank and in hand		226	344	54	45
<b>Total current assets</b>		<b>13,897</b>	<b>13,994</b>	<b>10,234</b>	<b>10,231</b>
<b>Non-current assets held for sale</b>	10	1,661	-	-	-
<b>Total assets</b>		<b>35,118</b>	<b>36,300</b>	<b>29,627</b>	<b>30,140</b>
<b>- EQUITY AND LIABILITIES -</b>					
<b>Capital and reserves attributable to the Equity holders of the Company</b>					
Called up issued share capital	23	3,214	3,214	3,214	3,214
Share premium		892	892	892	892
Other reserves	24	5,878	5,422	4,284	4,284
Profit and loss account		5,485	6,180	6,885	7,279
		15,469	15,708	15,275	15,669
Minority interest	26	64	219	-	-
<b>Total equity</b>		<b>15,533</b>	<b>15,927</b>	<b>15,275</b>	<b>15,669</b>
<b>Provisions for liabilities and charges</b>					
Deferred taxation	20	-	267	-	-
Provision for other liabilities and charges	27	197	-	197	-
		197	267	197	-
<b>Creditors: falling due after more than one year</b>					
Interest-bearing borrowings	25	8,479	9,965	7,585	8,940
<b>Total non-current liabilities</b>		<b>8,676</b>	<b>10,232</b>	<b>7,782</b>	<b>8,940</b>
<b>Creditors: falling due within one year</b>					
Interest-bearing borrowings	25	6,065	5,033	3,705	2,659
Trade and other creditors	28	4,790	5,001	2,859	2,866
Current taxation		54	107	6	6
<b>Total current liabilities</b>		<b>10,909</b>	<b>10,141</b>	<b>6,570</b>	<b>5,531</b>
<b>Total liabilities</b>		<b>19,585</b>	<b>20,373</b>	<b>14,352</b>	<b>14,471</b>
<b>Total equity and liabilities</b>		<b>35,118</b>	<b>36,300</b>	<b>29,627</b>	<b>30,140</b>

The financial statements on pages 22 to 51 were authorised for issue by the board of directors on 26 April 2006 and were signed on its behalf by:

Bryan A. Gera  
Chairman

Vincent Curmi  
Vice-Chairman

Luis Farrugia

Louis A. Farrugia  
Group Chief Executive

## Statements of Changes in Equity

	Attributable to Equity shareholders						
	Notes	Share capital Lm'000	Share premium Lm'000	Other reserves Lm'000	Profit and loss account Lm'000	Minority interest Lm'000	Total Lm'000
<b>- GROUP -</b>							
Balance at 1 February 2004		3,214	892	5,247	6,335	234	15,922
Transfer of fair value gains on investment property, net of deferred tax	24	-	-	175	(175)	-	-
Profit for the financial year		-	-	-	624	(15)	609
Total recognised income for 2005		-	-	175	449	(15)	609
Dividends relating to 2004	12	-	-	-	(604)	-	(604)
<b>Balance at 31 January 2005</b>		<b>3,214</b>	<b>892</b>	<b>5,422</b>	<b>6,180</b>	<b>219</b>	<b>15,927</b>
Balance at 1 February 2005		3,214	892	5,422	6,180	219	15,927
Net transfers of fair value gains on investment property, net of deferred tax	24	-	-	456	(456)	-	-
Profit for the financial year		-	-	-	365	(155)	210
Total recognised income for 2006		-	-	456	(91)	(155)	210
Dividends relating to 2005	12	-	-	-	(604)	-	(604)
<b>Balance at 31 January 2006</b>		<b>3,214</b>	<b>892</b>	<b>5,878</b>	<b>5,485</b>	<b>64</b>	<b>15,533</b>
	Notes	Share capital Lm'000	Share premium Lm'000	Other reserves Lm'000	Profit and loss account Lm'000		Total Lm'000
<b>- COMPANY -</b>							
Balance at 1 February 2004		3,214	892	4,284	7,166		15,556
Profit for the financial year		-	-	-	717		717
Dividends relating to 2004	12	-	-	-	(604)		(604)
<b>Balance at 31 January 2005</b>		<b>3,214</b>	<b>892</b>	<b>4,284</b>	<b>7,279</b>		<b>15,669</b>
Balance at 1 February 2005		3,214	892	4,284	7,279		15,669
Profit for the financial year		-	-	-	210		210
Dividends relating to 2005	12	-	-	-	(604)		(604)
<b>Balance at 31 January 2006</b>		<b>3,214</b>	<b>892</b>	<b>4,284</b>	<b>6,885</b>		<b>15,275</b>

## Cash Flow Statements

	Notes	Year ended 31 January			
		Group		Company	
		2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Operating activities</b>					
Cash generated from operations	29	3,037	1,942	2,146	2,108
Interest received		-	20	168	228
Interest paid		(817)	(805)	(656)	(652)
Tax paid		(237)	(129)	-	(2)
<b>Net cash from operating activities</b>		<b>1,983</b>	<b>1,028</b>	<b>1,658</b>	<b>1,682</b>
<b>Investing activities</b>					
Acquisition of intangible assets		-	(14)	-	-
Purchase of property, plant and equipment		(1,929)	(1,134)	(1,590)	(792)
Proceeds from disposal of property, plant and equipment		16	93	4	77
Proceeds from disposal of investment property		879	-	-	-
Business acquisitions, including cash and cash equivalents acquired		-	(1,599)	-	-
Movements in investments in Group undertakings		-	-	-	(251)
Decrease in loans to Group undertakings		-	-	859	-
Increase in available-for-sale investments		-	(3)	-	-
<b>Net cash used in investing activities</b>		<b>(1,034)</b>	<b>(2,657)</b>	<b>(727)</b>	<b>(966)</b>
<b>Financing activities</b>					
Proceeds from short and long-term borrowings		5,816	1,343	4,856	343
Payments of short and long-term borrowings		(5,824)	(930)	(4,790)	(832)
Dividends paid		(604)	(604)	(604)	(604)
<b>Net cash used in financing activities</b>		<b>(612)</b>	<b>(191)</b>	<b>(538)</b>	<b>(1,093)</b>
<b>Movement in cash and cash equivalents</b>		<b>337</b>	<b>(1,820)</b>	<b>393</b>	<b>(377)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>(3,765)</b>	<b>(1,945)</b>	<b>(1,750)</b>	<b>(1,373)</b>
<b>Cash and cash equivalents at end of year</b>	30	<b>(3,428)</b>	<b>(3,765)</b>	<b>(1,357)</b>	<b>(1,750)</b>

## Accounting Policies

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

### 1. BASIS OF PREPARATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with the requirements of the Companies Act, 1995. The consolidated financial statements are prepared under the historical cost convention as modified by the fair valuation of investment property, available for sale investments, and except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires Company directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 2 – Critical accounting estimates and judgements).

#### Standards, interpretations and amendments to published standards effective in 2006

In the financial year ended 31 January 2006, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 February 2005. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the Group's accounting policies.

The major significant impact from the adoption of the new and revised IFRSs on the Group financial statements were adopted in the financial year ended 31 January 2005 when the relevant standards came into effect.

In 2005, the Group early adopted IFRS 3 and simultaneously applies IAS 36 (revised 2004) and IAS 38 (revised 2004). In accordance with the provisions of IFRS 3, the Group ceased the amortisation of goodwill as from 1 February 2004 and adopted accounting policy 8. The Group reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38 (revised 2004). No adjustment resulted from this reassessment or from the early adoption of IAS 36 (revised 2004).

#### Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning on or after 1 February 2006 or later periods. The Group has not early adopted these revisions to the requirements of IFRSs and the Company's directors are of the opinion that there are no requirements that will have a possible material impact on the Group's financial statements in the period of initial application.

### 2. CONSOLIDATION

#### Group undertakings

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

The purchase method of accounting is used to account for the acquisition of Group undertakings by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued

and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the Group undertaking acquired, the difference is recognised directly in the profit and loss account (see Accounting policy 8).

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

A listing of the Group's undertakings is set out in note 16 to the financial statements.

#### Associated undertakings

Associated undertakings are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in Associated undertakings are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in Associated undertakings includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Accounting policy 8).

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

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

A listing of the Group's Associated undertakings is set out in note 17 to the financial statements.

### 3. INVESTMENTS IN GROUP AND ASSOCIATED UNDERTAKINGS

In the Company's financial statements, investments in Group and Associated undertakings are accounted for by the cost method of accounting. The dividend income from such investments is included in the profit and loss account in the accounting year in which the Company's rights to receive payment of any dividend is established. The Company gathers objective evidence that an investment is impaired using the same process disclosed in Accounting policy 13. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

### 4. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax or other sales taxes, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

#### (a) Sales of goods – wholesale

Sales of goods are recognised when a Group undertaking has delivered products to the customer, the customer has accepted the products and collectibility of the related debtors is reasonably assured. Branded beers, beverages and food products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

#### (b) Sales of goods – retail

Sales of goods are recognised when a Group undertaking sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in finance costs. It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

#### (c) Sales of services

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

#### (d) Property related income

Rentals receivable, short-term lets receivable and premia charged to tenants of immovable property are recognised in the period when the property is occupied. Premia are taken to the profit and loss account over the period of the leases to which they relate.

#### (e) Interest income

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

#### (f) Dividend income

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

### 5. BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. 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 for qualifying assets. Other borrowing costs are recognised in the profit and loss account.

### 6. FOREIGN CURRENCIES

#### Functional and presentation currency

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

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in 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 25 – Accounting for derivative financial instruments and hedging activities.

#### Group undertakings

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 7. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business.

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal Group or an individual non-current asset.

Non-current assets (classified as assets held for sale) are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The Group adopted IFRS 5 from 1 January 2005 prospectively in accordance with the standard's provisions. The non-current assets held for sale were previously neither classified nor presented as current assets or liabilities. Such non-current assets were not previously measured differently from other assets and liabilities. The adoption of IFRS 5 does not impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.

### 8. INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired Group/Associated undertaking or business concern at the date of acquisition. Goodwill on acquisitions of Group undertakings/business concerns is included in intangible assets. Goodwill on acquisitions of Associated undertakings is included in investments in Associated undertakings. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The Group gathers objective evidence that goodwill is impaired using the same process disclosed in Accounting policy 13.

Franchise and agency rights are initially shown at historical cost. Franchise and agency rights have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method

## Accounting Policies (continued)

to allocate the cost of franchise and agency rights over their estimated useful lives (5 to 10 years).

Where an indication of impairment exists, in that the carrying amount of an intangible 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 (see Accounting policy 13).

**9. GROUP HOLDINGS OF LAND AND BUILDINGS**

The Group owns extensive holdings of land and buildings which are accounted for under three categories depending on their current or intended use:

(a) Properties used as business, manufacturing and operational premises by the Group including factories, warehouses, offices, and commercial buildings, are accounted for as property, plant and equipment and are included under fixed assets;

(b) Other properties held by the Group for capital appreciation and for long-term rental purposes are accounted for as investment property and are also included under fixed assets;

(c) Properties held for resale are included under stocks.

**10. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (see Accounting policy 13).

**11. INVESTMENT PROPERTY**

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods

such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed periodically by the Group directors.

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred. Changes in fair values are recorded in the profit and loss account.

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

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

**12. INVESTMENTS**

The Group and the Company classify their investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

**(1) Loans and receivables**

The Company's loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

**(2) Available-for-sale financial assets**

The Group's available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

**13. IMPAIRMENT OF ASSETS****Impairment of non financial assets**

Assets (including goodwill) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Impairment of financial assets**

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence that a financial asset is impaired includes observable data about the certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flow from the financial asset since the initial recognition.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is recognised in the profit and loss account and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

**14. STOCKS**

Stocks are stated at the lower of cost and net realisable value. Stocks of raw materials are 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.

Property held for resale is valued by specifically identifying the cost of individual items including expenses incidental to acquisition, construction costs and borrowing costs. In the case of property previously held as fixed assets, the carrying value is its last fair value prior to its transfer to stocks.

Gains and losses on disposal of property stocks are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a fair valued asset, amounts in the unrealised fair value gain reserve relating to that asset are transferred to retained earnings.

**15. TRADE DEBTORS**

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 original terms of debts. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

**16. 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.

**17. OPERATING LEASES****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.

**Where a Group company is a lessor**

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

**18. DEFERRED TAXATION**

Deferred taxation 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Under this method the Group is required to make provision for deferred income taxes on the fair valuation of investment property (see Accounting policy 11).

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

**19. PROVISIONS**

Provisions (including restructuring costs) are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits

## Accounting Policies (continued)

will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Restructuring provisions principally comprise termination benefits.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**20. TERMINATION BENEFITS**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

**21. SHARE CAPITAL**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**22. BORROWINGS**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**23. 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.

**24. 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 in accordance with the requirements of IAS 39 (revised 2004) 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 (revised 2004), and are measured at cost, that is, the face value of such instruments.

**25. ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

**(a) Fair value hedge**

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

**(b) Cash flow hedge**

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

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place).

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

**26. SEGMENT REPORTING**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

**1. SEGMENT INFORMATION**

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Property management	Group
	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000
<b>2006</b>					
Turnover	15,524	9,186	3,094	494	28,298
Less: inter-segmental sales	(397)	(1,335)	-	(377)	(2,109)
	15,127	7,851	3,094	117	26,189
Segment results	814	258	(13)	(89)	970
Unallocated costs					(651)
Operating profit					319
Fair value gains on investment property	-	-	-	380	380
Investment income					525
Interest payable					(733)
Share of losses of Associated undertaking					(4)
<b>Profit before tax</b>					487
Tax income					265
<b>Profit for the year from continuing operations</b>					752
Loss for the year from discontinued operations	-	-	-	(542)	(542)
<b>Profit for the financial year</b>					210
Segment assets	19,081	6,967	3,244	4,160	33,452
Assets held for sale	-	-	-	1,661	1,661
Associated undertaking	-	-	-	5	5
<b>Total assets</b>					35,118
Segment liabilities	3,066	772	615	534	4,987
Unallocated liabilities					14,598
<b>Total liabilities</b>					19,585
Capital expenditure	1,799	36	81	393	2,309
Depreciation	1,379	75	209	174	1,837
Impairment of intangible assets	-	55	-	-	55
Impairment of property, plant and equipment	-	-	53	404	457
Amortisation	112	117	16	-	245
Impairment provision for debtors	105	90	-	-	195
Restructuring costs	197	-	-	-	197

## Notes to the Financial Statements

## Notes to the Financial Statements (continued)

## - 1. SEGMENT INFORMATION (continued) -

	Brewing, production & sale of branded beers & beverages	Importation, wholesale & retail of food & beverages, including wines & spirits	Operation of franchised food retailing establishments	Property management	Group Lm'000
<b>2005</b>					
Turnover	16,081	9,960	3,015	430	29,486
Less: inter-segmental sales	(231)	(2,266)	-	(320)	(2,817)
	15,850	7,694	3,015	110	26,669
Segment results	1,612	435	89	(97)	2,039
Unallocated costs					(600)
Operating profit					1,439
Fair value gains on investment property	-	-	-	269	269
Investment income					20
Interest payable					(721)
Share of profits of Associated undertaking					8
<b>Profit before tax</b>					1,015
Tax expense					(227)
<b>Profit for the year from continuing operations</b>					788
<b>Loss for the year from discontinued operations</b>	-	-	-	(179)	(179)
<b>Profit for the financial year</b>					609
Segment assets	19,665	7,602	3,349	5,675	36,291
Associated undertaking	-	-	-	9	9
<b>Total assets</b>					36,300
Segment liabilities	2,912	1,174	545	370	5,001
Unallocated liabilities					15,372
<b>Total liabilities</b>					20,373
Capital expenditure	856	2,334	212	26	3,428
Depreciation	1,454	67	201	169	1,891
Impairment of property, plant and equipment	-	-	37	-	37
Amortisation	107	88	23	-	218
Impairment provision for debtors	116	83	-	3	202

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

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

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. 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.

## - 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS -

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

In the opinion of the Company directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

## - 3. EXPENSES BY NATURE -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Depreciation of property, plant and equipment (note 14)	1,703	1,757	1,087	1,342
Staff costs (note 4)	6,213	5,993	3,154	3,841
Termination benefits (note 4)	224	-	197	-
Raw materials, imported goods and consumables	11,847	12,977	3,132	3,366
Changes in stocks of finished goods and work in progress (excluding property held for resale)	(516)	560	(500)	(160)
Impairment charges (notes 13 and 14)	108	37	-	-
Impairment provisions for debtors (note 22)	195	202	156	186
Amortisation of intangible assets (note 13)	236	210	103	99
Property rentals payable	310	257	7	83
Operating motor vehicles lease rentals payable	129	115	103	90
Other expenses	5,421	3,122	6,996	5,608
<b>Total cost of sales, selling and distribution costs and administrative expenses</b>	25,870	25,230	14,435	14,455

Auditors' remuneration amounted to Lm33,000 (2005: Lm33,000) for the Group and Lm11,000 (2005: Lm11,000) for the Company respectively.

## - 4. STAFF COSTS -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Wages and salaries	5,761	5,577	3,737	3,747
Social security costs	434	401	289	283
Other pension costs	18	15	18	15
	6,213	5,993	4,044	4,045
Recharged to Group undertakings	-	-	(890)	(204)
	6,213	5,993	3,154	3,841
Termination benefits	224	-	197	-
	6,437	5,993	3,351	3,841

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

	Group		Company	
	2006	2005	2006	2005
Brewing, production and sale of branded beers and beverages	538	533	493	505
Importation, wholesale and retail of food and beverages, including wines and spirits	117	111	-	-
Operation of franchised food retailing establishments	203	206	-	-
Property management	3	3	-	-
	861	853	493	505

## Notes to the Financial Statements (continued)

**5. DIRECTORS' EMOLUMENTS**

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Directors' fees	40	40	40	40
Directors' other emoluments	81	96	81	96
	121	136	121	136

The directors availed themselves of the use of Company cars during the year. The estimated value of this benefit has been included within the directors' remuneration, which also includes other allowances.

The above information for the Company for 2006 includes emoluments amounting to Lm39,000 (2005: Lm37,000) which were recharged to Group undertakings.

**6. INVESTMENT INCOME**

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Profit on disposals of investment property	525	-	-	-
Dividends receivable from Group undertakings	-	-	175	-
Interest on amounts owed by Group undertakings	-	-	168	208
Interest on amounts owed by Associated undertakings	-	20	-	20
	525	20	343	228

**7. INTEREST PAYABLE**

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Bank loans and overdrafts	417	376	259	251
Bonds	389	389	389	389
Other finance costs	11	40	8	12
	817	805	656	652

Interest payable is allocated to continuing operations as disclosed in the profit and loss account (page 22) and to discontinued operations as disclosed in note 10.

During the year ended 31 January 2006, borrowing costs amounting to Lm10,000 (2005: LmNil) arising on the financing of the new Soft drinks factory and Distribution centre project, were capitalised and included in assets in course of construction (note 14). A net capitalisation rate of 1.75% (after taking into account an interest rate subsidy provided by Malta Enterprise of 2.5%) was applied, representing the borrowing cost of the loan utilised to finance the project.

**8. NET FOREIGN EXCHANGE GAINS/(LOSSES)**

The net exchange differences credited/(charged) to the profit and loss account include:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Foreign exchange differences	3	44	(52)	(6)
Fair value gains/(losses) on derivative instruments:				
- Foreign exchange forward contracts	11	(12)	11	(12)
	14	32	(41)	(18)

**9. TAX (INCOME)/EXPENSE**

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Current tax expense	109	117	61	8
Deferred tax (income)/credit (note 20)	(374)	100	-	-
Tax (income)/expense	(265)	217	61	8
Disclosed as:				
Continuing operations	(265)	227	61	8
Discontinued operations (note 10)	-	(10)	-	-
Tax (income)/expense	(265)	217	61	8

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

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Profit from continuing operations	487	1,015	271	725
Loss from discontinued operations (note 10)	(542)	(189)	-	-
Results before tax	(55)	826	271	725
Tax on results at 35%	(19)	289	95	253
Tax effect of:				
Benefits available under the Business Promotion Act, including reduced rates of tax, investment tax credits and allowances	(396)	(754)	(396)	(754)
Differences attributable to tax rules applicable to immovable property	(531)	-	-	-
Unrecognised deferred tax assets	372	516	300	446
Non allowable expenses	122	136	54	67
Impairment charges on fixed assets	179	-	-	-
Other differences	8	30	8	(4)
Tax (income)/expense	(265)	217	61	8

**10. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE**

The assets relating to the Galleria Complex in Fgura (part of the property management business segment) have been presented as held for sale following the approval of the Group's management in December 2005 to dispose of the related assets within the next financial year. The completion date for the transaction is expected by not later than January 2007. An analysis of the result of the related discontinued operations, and the result recognised on the re-measurement of assets, including the related non-current assets held for sale is as follows:

	2006 Lm'000	2005 Lm'000
<b>Discontinued operations</b>		
Turnover	134	112
Depreciation	(134)	(134)
Other operating costs	(54)	(83)
Operating loss	(54)	(105)
Interest payable (note 7)	(84)	(84)
Loss before tax of discontinued operations	(138)	(189)
Tax income	-	10
Loss arising from discontinued operations	(138)	(179)
Loss recognised on the re-measurement of assets	(404)	-
<b>Loss for the year from discontinued operations</b>	<b>(542)</b>	<b>(179)</b>
Operating cash flows	(18)	(8)
Investing cash flows	(6)	(6)
Financing cash flows	(872)	-
<b>Total cash flows</b>	<b>(896)</b>	<b>(14)</b>

## Notes to the Financial Statements (continued)

**10. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)**

	2006 Lm'000	2005 Lm'000
<b>Non-current assets held for sale:</b>		
Transferred from property, plant and equipment (note 14)	2,065	-
Impairment charge	(404)	-
Closing net book amount	1,661	-
Cost	2,973	-
Accumulated depreciation and impairment	(1,312)	-
Net book amount	1,661	-

The impairment charge is attributable to the assets of Galleria Entertainment Complex which have been written down to their estimated recoverable amounts. The recoverable amount (the higher of the value in use and net selling price) was determined at the individual asset level and represents the net selling price, determined by reference to market prices.

**11. EARNINGS PER SHARE**

Earnings per share is based on the profit for the financial year attributable to the equity holders of Simonds Farsons Cisk plc divided by the weighted average number of Ordinary shares in issue during the year and ranking for dividend.

	Group	
	2006	2005
Profit attributable to Equity holders on continuing operations (Lm'000)	752	788
Loss attributable to Equity holders on discontinued operations (Lm'000)	(387)	(164)
Total profit attributable to Equity holders (Lm'000)	365	624
Weighted average number of Ordinary shares in issue (thousands)	25,714	25,714
Earnings per share on profit from continuing operations	2c9	3c1
Earnings per share on loss from discontinued operations	(1c5)	(0c6)

**12. DIVIDENDS**

	Company	
	2006 Lm'000	2005 Lm'000
<b>Ordinary shares</b>		
Interim dividend	90	90
Final dividend	514	514
Total net dividends	604	604
Cents per share (net)	2c3	2c3

The interim dividend of Lm90,000 and the final dividend of Lm514,000 in respect of the year ended 31 January 2005, were announced to the Ordinary shareholders on 30 March 2005 and 27 April 2005 respectively. These dividends were paid out of tax exempt profits.

A net interim dividend of Lm50,000 was announced on 26 April 2006 and is payable to the Ordinary shareholders on 23 May 2006. At the forthcoming Annual General Meeting, a final net dividend of Lm250,000 in respect of the financial year ended 31 January 2006 is to be proposed.

The interim dividends are being paid out of taxed profits and the final dividends are being paid out of tax exempt profits resulting in a net dividend to the Ordinary shareholders of Lm300,000, equivalent to 1c1 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 2007.

**13. INTANGIBLE ASSETS**

Group	Goodwill Lm'000	Franchise & agency rights Lm'000	Total Lm'000
<b>At 1 February 2004</b>			
Cost	170	1,310	1,480
Accumulated amortisation	-	(384)	(384)
Net book amount	170	926	1,096
<b>Year ended 31 January 2005</b>			
Opening net book amount	170	926	1,096
Business acquisitions	284	588	872
Additions	-	14	14
Amortisation	-	(210)	(210)
Closing net book amount	454	1,318	1,772
<b>At 31 January 2005</b>			
Cost	454	1,912	2,366
Accumulated amortisation	-	(594)	(594)
Net book amount	454	1,318	1,772
<b>Year ended 31 January 2006</b>			
Opening net book amount	454	1,318	1,772
Amortisation	-	(236)	(236)
Impairment charge	(55)	-	(55)
Closing net book amount	399	1,082	1,481
<b>At 31 January 2006</b>			
Cost	454	1,912	2,366
Accumulated amortisation and impairment	(55)	(830)	(885)
Net book amount	399	1,082	1,481

Amortisation of Lm119,000 (2005: Lm122,000) is included in cost of sales, and Lm117,000 (2005: Lm88,000) in administrative expenses within the profit and loss account. The impairment charge of Lm55,000 (2005: LmNil) is included in cost of sales.

**Impairment tests for goodwill**

Goodwill is allocated to the Group's cash-generating units identified according to business segment. A segment-level summary of the goodwill allocation is presented below:

	2006 Lm'000	2005 Lm'000
Brewing, production and sale of branded beers & beverages	82	82
Importation, wholesale and retail of food & beverages, including wines & spirits	317	372
Net book amount	399	454

The recoverable amount of a cash-generating unit is determined based on value in use calculations, and is assessed annually. These calculations use cash flow projections based on financial information prepared by management covering a five-year period. These estimates assume net margins of between 5% and 12% and are discounted using a rate between 11% and 16%.

These assumptions have been used for the analysis of each cash-generating unit within the business segment. Management estimates net margins based on past performance and its expectations for market development. The discount rates are pre-tax and reflect specific risks to the relevant segments.

The impairment charge of Lm55,000 was made in respect of the goodwill arising on the acquisition of the operations of Guido Vella Limited following the results realised by this venture and the decision to downsize the operations.

## Notes to the Financial Statements (continued)

## - 13. INTANGIBLE ASSETS (continued) -

	Company	
	2005 Lm'000	2004 Lm'000
<b>Franchise rights</b>		
<b>Year ended 31 January</b>		
Opening net book amount	718	817
Amortisation	(103)	(99)
Closing net book amount	615	718
<b>At 31 January</b>		
Cost	1,031	1,031
Accumulated amortisation	(416)	(313)
Net book amount	615	718

As at 1 February 2004, the cost and accumulated amortisation of the Company's franchise rights amounted to Lm1,031,000 and Lm214,000 respectively. Amortisation charge for the year is included in cost of sales.

## - 14. PROPERTY, PLANT AND EQUIPMENT -

Group	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	Lm'000	Lm'000	Lm'000	Lm'000
<b>At 1 February 2004</b>				
Cost	10,228	-	31,763	41,991
Accumulated depreciation	(1,945)	-	(24,168)	(26,113)
Net book amount	8,283	-	7,595	15,878
<b>Year ended 31 January 2005</b>				
Opening net book amount	8,283	-	7,595	15,878
Business acquisitions	1,222	-	109	1,331
Additions	200	77	934	1,211
Disposals	(30)	-	(156)	(186)
Depreciation	(174)	-	(1,717)	(1,891)
Impairment charge	(26)	-	(11)	(37)
Depreciation released on disposal	2	-	130	132
Closing net book amount	9,477	77	6,884	16,438
<b>At 31 January 2005</b>				
Cost	11,620	77	32,650	44,347
Accumulated depreciation and impairment	(2,143)	-	(25,766)	(27,909)
Net book amount	9,477	77	6,884	16,438
<b>Year ended 31 January 2006</b>				
Opening net book amount	9,477	77	6,884	16,438
Additions	132	1,054	743	1,929
Disposals	(42)	-	(183)	(225)
Depreciation	(185)	-	(1,652)	(1,837)
Impairment charge	-	-	(53)	(53)
Transferred to non-current assets held for sale (note 10)	(1,504)	-	(561)	(2,065)
Depreciation released on disposal	-	-	178	178
Closing net book amount	7,878	1,131	5,356	14,365
<b>At 31 January 2006</b>				
Cost	10,164	1,131	31,783	43,078
Accumulated depreciation and impairment	(2,286)	-	(26,427)	(28,713)
Net book amount	7,878	1,131	5,356	14,365

Bank borrowings are secured by the Group's property, plant and equipment (note 25).

## - 14. PROPERTY, PLANT AND EQUIPMENT (continued) -

Company	Land & buildings	Assets in course of construction	Plant, machinery & equipment	Total
	Lm'000	Lm'000	Lm'000	Lm'000
<b>At 1 February 2004</b>				
Cost	4,227	-	27,610	31,837
Accumulated depreciation	(1,305)	-	(21,459)	(22,764)
Net book amount	2,922	-	6,151	9,073
<b>Year ended 31 January 2005</b>				
Opening net book amount	2,922	-	6,151	9,073
Additions	85	77	630	792
Disposals	(153)	-	(4,127)	(4,280)
Depreciation	(74)	-	(1,268)	(1,342)
Depreciation released on disposal	23	-	3,465	3,488
Closing net book amount	2,803	77	4,851	7,731
<b>At 31 January 2005</b>				
Cost	4,159	77	24,113	28,349
Accumulated depreciation	(1,356)	-	(19,262)	(20,618)
Net book amount	2,803	77	4,851	7,731
<b>Year ended 31 January 2006</b>				
Opening net book amount	2,803	77	4,851	7,731
Additions	117	1,054	419	1,590
Disposals	(42)	-	(153)	(195)
Depreciation	(70)	-	(1,017)	(1,087)
Depreciation released on disposal	-	-	150	150
Closing net book amount	2,808	1,131	4,250	8,189
<b>At 31 January 2006</b>				
Cost	4,234	1,131	24,379	29,744
Accumulated depreciation	(1,426)	-	(20,129)	(21,555)
Net book amount	2,808	1,131	4,250	8,189

During the year ended 31 January 2005, the Company transferred property, plant and equipment with a cost of Lm4,131,000 and accumulated depreciation of Lm3,379,000 to a Group undertaking following the transfer of the selling and distribution activities within the Company and other Group undertakings to Farsons (Sales & Marketing) Limited. These transfers are included with the disposals noted above for 2005 (note 33).

Bank borrowings are secured by the Company's property, plant and equipment (note 25).

Assets in course of construction relate to works on the new Soft drinks factory and Distribution centre project which principally commenced during the year.

The Group impairment charge for 2006 is attributable to assets of an outlet within the franchised food retailing business following the decision to close the outlet. The impairment charge for 2005 is attributable to another outlet within the franchised food retailing business. The related tangible assets have been written down to their estimated recoverable amounts. The recoverable amount (the higher of the value in use and net selling price) was determined at the individual asset level and represents the net selling price, determined by reference to market prices for equivalent assets.

The charge for depreciation and impairment included in the profit and loss account is as follows:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Continuing operations:</b>				
Depreciation charge (note 3)	1,703	1,757	1,087	1,342
Impairment charge	53	37	-	-
	1,756	1,794	1,087	1,342
<b>Discontinued operations:</b>				
Depreciation charge (note 10)	134	134	-	-
	1,890	1,928	1,087	1,342

## Notes to the Financial Statements (continued)

## 15. INVESTMENT PROPERTY

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Year ended 31 January</b>				
Opening net book amount	3,009	2,740	-	-
Transferred to property held for resale (note 21)	(450)	-	-	-
Disposals	(354)	-	-	-
Fair value gains for the year	380	269	-	-
Closing net book amount	2,585	3,009	-	-
<b>At 31 January</b>				
Cost	967	1,258	-	-
Fair value gains	1,618	1,751	-	-
Net book amount	2,585	3,009	-	-

As at 1 February 2004, the cost and fair value gain attributable to the Group's investment property amounted to Lm1,258,000 and Lm1,482,000 respectively. During the year ended 31 January 2006, land with a carrying amount of Lm450,000 (2005: Lm450,000) was transferred to property held for resale within stocks, upon the change in intended use of the property.

Investment property is valued annually on 31 January at fair value comprising open market value approved by the directors on the basis of a professional valuation prepared by the Group's architect.

Investment property included above, comprising property leased out under operating leases, has a carrying amount of Lm726,000 (2005: Lm1,075,000).

The following amounts have been recognised in the profit and loss account:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Rental income	117	110	-	-
Direct operating expenses arising from investment property that generate rental income	(95)	(89)	-	-

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

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>At 31 January</b>				
Cost	967	1,258	-	-
Accumulated depreciation	(62)	(56)	-	-
Net book amount	905	1,202	-	-

Bank borrowings are secured by the Group's investment property (note 25).

## 16. INVESTMENTS IN GROUP UNDERTAKINGS

	Company	
	2006 Lm'000	2005 Lm'000
<b>Year ended 31 January</b>		
Opening net book amount	7,578	7,327
Additions	-	251
Closing net book amount	7,578	7,578
<b>At 31 January</b>		
Cost	8,128	8,128
Impairment provision for investments	(550)	(550)
Net book amount	7,578	7,578

The Group undertakings all of which are unlisted at 31 January 2006 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2006	2005
Anthony Caruana & Sons Limited	303 Qormi Road, Marsa	Importation and wholesale of beverages, wines and spirits	100	100
Burger Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	100	100
Eco Pure Premium Water Co. Limited	Triq San 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
Farsons (Sales & Marketing) Limited	The Brewery, Notabile Road, Mriehel	Group selling and distribution function	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	303 Qormi Road, Marsa	Importation, wholesale and retail of food, beverages, wines and spirits	100	100
Kentucky Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	100	100
Mensija Catering Co. Limited	303 Qormi Road, Marsa	Property leasing	100	100
Pizza Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	100	100
Portanier Warehouses Limited	5 Triq I-Industrija, Qormi	Property leasing	100	100
Quintano Foods Limited	Commerce Street, Qormi	Importation and wholesale of food products	100	100
Sliema Fort Company Limited	303 Qormi Road, Marsa	Property leasing	100	100
Trident Developments Limited	The Brewery, Notabile Road, Mriehel	Intermediate investment and property holding	100	100
Trident Wines Limited	303 Qormi Road, Marsa	Importation of branded wines	100	100
Vita Sana srl	Villorba, Via Nobel N6, Treviso - Italy	Sale and distribution of bottled water in Italy	51	51
Wands Limited	303 Qormi Road, Marsa	Importation and wholesale of beverages, wines and spirits	100	100

## Notes to the Financial Statements (continued)

## - 17. INVESTMENTS IN ASSOCIATED UNDERTAKINGS -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Year ended 31 January</b>				
Opening net book amount	9	1	1	1
Share of results of Associated undertaking	(4)	8	-	-
Closing net book amount	5	9	1	1
<b>At 31 January</b>				
Cost and net book amount	5	9	1	1

The principal Associated undertaking which is unlisted at 31 January 2006 is shown below:

	Registered office	Principal activities	Percentage of shares held	
			2006	2005
FSG Company Limited	The Brewery, Notabile Road, Mriehel	Investment holding	50	50

Summarised financial information of the principal Associated undertaking as at 31 January is as follows:

	Assets Lm'000	Liabilities Lm'000	Revenues Lm'000	Profit/(Loss) Lm'000
At 31 January 2005	282	271	58	11
Movements	102	110	(58)	(8)
At 31 January 2006	384	381	-	3

## - 18. INVESTMENTS - LOANS AND RECEIVABLES -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Loans to Group undertakings</b>				
<b>Year ended 31 January</b>				
Opening net book amount	-	-	890	890
Repayments	-	-	(859)	-
Closing net book amount	-	-	31	890
<b>At 31 January</b>				
Cost and net book amount	-	-	31	890

Loans to Group undertakings are unsecured, bear an interest rate of 6.6% (2005: 6.6%) and are repayable by 2013.

## - 19. INVESTMENTS - AVAILABLE-FOR-SALE -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Unquoted equity instruments</b>				
<b>Year ended 31 January</b>				
Opening net book amount	3	-	-	-
Additions	-	3	-	-
Closing net book amount	3	3	-	-
<b>At 31 January</b>				
Cost and net book amount	3	3	-	-

## - 20. DEFERRED TAXATION -

Deferred taxation is calculated on all temporary differences under the liability method, using the principal tax rate of 5% (2005: 5%) on all temporary differences in accordance with the provisions of the Business Promotion Regulations, 2001. Deferred tax on those temporary differences that do not qualify in this manner is calculated at 35% (2005: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 12% on the carrying amounts (2005: 35% of the fair value gains).

The movement in the deferred tax account is as follows:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
At beginning of year	(267)	(167)	-	-
Credited/(charged) to profit and loss account (note 9)	374	(100)	-	-
<b>At end of year - assets/(liabilities)</b>	<b>107</b>	<b>(267)</b>	<b>-</b>	<b>-</b>

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

Assets/(liabilities)	Fixed assets Lm'000	Investment tax credits Lm'000	Fair value gains Lm'000	Net tax losses Lm'000	Provisions on assets Lm'000	Total Lm'000
<b>Group</b>						
At 1 February 2004	(37)	313	(519)	(10)	86	(167)
Profit and loss - (charge)/credit	123	(293)	(94)	(5)	169	(100)
<b>At 31 January 2005</b>	<b>86</b>	<b>20</b>	<b>(613)</b>	<b>(15)</b>	<b>255</b>	<b>(267)</b>
At 1 February 2005	86	20	(613)	(15)	255	(267)
Profit and loss - credit/(charge)	(57)	84	320	-	27	374
<b>At 31 January 2006</b>	<b>29</b>	<b>104</b>	<b>(293)</b>	<b>(15)</b>	<b>282</b>	<b>107</b>
<b>Company</b>						
At 1 February 2004	(298)	313	-	(40)	25	-
Profit and loss - credit/(charge)	118	(293)	-	-	175	-
<b>At 31 January 2005</b>	<b>(180)</b>	<b>20</b>	<b>-</b>	<b>(40)</b>	<b>200</b>	<b>-</b>
At 1 February 2005	(180)	20	-	(40)	200	-
Profit and loss - (charge)/credit	(116)	84	-	-	32	-
<b>At 31 January 2006</b>	<b>(296)</b>	<b>104</b>	<b>-</b>	<b>(40)</b>	<b>232</b>	<b>-</b>

Deferred taxation is principally composed of deferred tax assets and liabilities which are to be recovered and settled after more than 12 months.

Government has recently introduced a reform in the system of taxation in respect of transfers of immovable property. In line with the requirements of IAS 12 (revised) the impact on fair valued immovable property of the application of the enacted changes to the tax rules resulted in a tax release of Lm280,000 (note 24) which has been recognised through the profit and loss account in the Group accounts in accordance with the accounting treatment of related fair value changes.

At 31 January 2006, the Group had unrecognised deferred tax assets amounting to Lm2,136,000 (2005: Lm1,764,000) consisting of unutilised tax credits arising from:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Unutilised investment tax credits	1,750	1,450	1,750	1,450
Unabsorbed tax losses	129	92	-	-
Unabsorbed capital allowances	257	222	-	-
	<b>2,136</b>	<b>1,764</b>	<b>1,750</b>	<b>1,450</b>

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

## Notes to the Financial Statements (continued)

## - 21. STOCKS -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Raw materials and consumables	1,505	1,677	1,245	1,404
Finished goods and goods for resale	2,924	2,979	900	942
General stores	953	1,014	460	545
Bottles, cases and kegs	758	986	719	933
Property held for resale (note 15)	450	-	-	-
	<b>6,590</b>	<b>6,656</b>	<b>3,324</b>	<b>3,824</b>

The amount of stock write-downs recognised in the profit and loss account categories is as follows:

	2006	2005	2006	2005
Cost of sales	237	249	126	131
Selling and distribution costs	17	25	-	15
	<b>254</b>	<b>274</b>	<b>126</b>	<b>146</b>

During the year ended 31 January 2006, land with a cost of Lm179,000 (2005: Lm179,000) and a carrying amount of Lm450,000 (2005: Lm450,000) was transferred from investment property, upon the change in intended use of the property. The related fair value gains are included within the unrealised fair value gains reserve.

## - 22. DEBTORS -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Non-current</b>				
Amounts due from Group undertakings	-	-	1,965	1,916
Other debtors	1,014	1,075	1,014	1,075
	<b>1,014</b>	<b>1,075</b>	<b>2,979</b>	<b>2,991</b>
<b>Current</b>				
Trade debtors	4,496	4,299	2,549	2,133
Amounts due from Group undertakings	-	-	2,924	2,801
Amounts due from Associated undertakings	191	136	191	136
Indirect taxation	121	340	-	-
Other debtors	1,551	1,580	1,130	1,193
Prepayments and accrued income	612	604	62	99
	<b>6,971</b>	<b>6,959</b>	<b>6,856</b>	<b>6,362</b>
<b>Total debtors</b>	<b>7,985</b>	<b>8,034</b>	<b>9,835</b>	<b>9,353</b>

Debtors are stated net of provision for impairment charges as follows:

	2006	2005	2006	2005
Trade and other debtors	967	772	633	529
Amounts due from Group undertakings	-	-	133	81

The impairment charges on debtors are disclosed in Note 3 and are included in selling and distribution costs in the profit and loss account.

Amounts due from Group and Associated undertakings are unsecured, interest free and are repayable on demand, except for an amount of Lm2,496,000 (2005: Lm1,968,000) which is subject to an average interest rate of 5.2% (2005: 4.6%).

## - 23. SHARE CAPITAL -

	Company	
	2006 Lm'000	2005 Lm'000
<b>Authorised:</b>		
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
	<b>12,250</b>	<b>12,250</b>
<b>Issued and fully paid:</b>		
25,714,286 Ordinary shares of 12c5 each	3,214	3,214

## - 24. OTHER RESERVES -

	Unrealised fair value gains reserve	Incentives & benefits reserve	Capital redemption reserve	Total
	Lm'000	Lm'000	Lm'000	Lm'000
<b>Group</b>				
At 1 February 2004	963	1,080	3,204	5,247
Fair value gains on investment property	269	-	-	269
Deferred tax on fair value gains for the year	(94)	-	-	(94)
<b>At 31 January 2005</b>	<b>1,138</b>	<b>1,080</b>	<b>3,204</b>	<b>5,422</b>
At 1 February 2005	1,138	1,080	3,204	5,422
Release on disposal of investment property	(244)	-	-	(244)
Deferred taxation released on disposals	86	-	-	86
Movement in deferred tax determined on the basis applicable to tax rules (note 20)	280	-	-	280
Fair value gains on investment property	380	-	-	380
Deferred tax on fair value gains for the year	(46)	-	-	(46)
<b>At 31 January 2006</b>	<b>1,594</b>	<b>1,080</b>	<b>3,204</b>	<b>5,878</b>
<b>Company</b>				
<b>At 31 January 2005 and 31 January 2006</b>	<b>-</b>	<b>1,080</b>	<b>3,204</b>	<b>4,284</b>

The Unrealised Fair Value Gains reserve represents changes in fair value of investment property, net of deferred tax movements, which are unrealised at financial reporting dates. These amounts are transferred from retained earnings to this reserve since these gains are not considered by the directors to be available for distribution. Upon disposal of the respective investment property, realised fair value gains are transferred to retained earnings. The unrealised gain reserve is a non-distributable reserve.

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

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

## Notes to the Financial Statements (continued)

## - 25. INTEREST-BEARING BORROWINGS -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Non-current</b>				
6.25% Bonds 2006-2008	-	1,994	-	1,994
6.6% Bonds 2010-2012	3,966	3,960	3,966	3,960
Bank loans	4,493	3,876	3,599	2,926
Business Promotion Act - soft loan	20	60	20	60
Other loans	-	75	-	-
	8,479	9,965	7,585	8,940
<b>Current</b>				
Bank overdrafts	3,654	4,109	1,411	1,795
6.25% Bonds 2006-2008	1,997	-	1,997	-
Bank loans	324	824	257	824
Business Promotion Act - soft loan	40	40	40	40
Other loans	50	60	-	-
	6,065	5,033	3,705	2,659
<b>Total borrowings</b>	<b>14,544</b>	<b>14,998</b>	<b>11,290</b>	<b>11,599</b>

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

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Face value of bonds</b>				
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	27	18	27	18
Net book amount	(37)	(46)	(37)	(46)
<b>Amortised cost</b>	<b>5,963</b>	<b>5,954</b>	<b>5,963</b>	<b>5,954</b>

The quoted market price as at 31 January 2006 for the 6.25% Bonds 2006-2008 was Lm102 (2005: Lm104) and Lm105 (2005: Lm107) for the 6.6% Bonds 2010-2012.

The Group's and Company's banking facilities as at 31 January 2006 and 2005 amounted to Lm16,984,000 and Lm11,938,000 for the Group, and Lm11,505,000 and Lm7,695,000 for the Company respectively.

On 26 January 2006, the Company repaid bank borrowings of Lm4,000,000 with an equivalent issue of bank borrowings denominated in foreign currency, amounting to EUR9,300,000. This loan is subject to floating rates of interest. At the balance sheet date the interest rate was 3.6% (2005: Nil %). These borrowings mature by January 2012.

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

Interest rate exposure:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
At floating rates	7,274	6,234	4,020	3,845
At fixed rates	7,270	8,764	7,270	7,754
<b>Total borrowings</b>	<b>14,544</b>	<b>14,998</b>	<b>11,290</b>	<b>11,599</b>

## - 25. INTEREST-BEARING BORROWINGS (continued) -

Weighted average effective interest rates at balance sheet date:

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Bank overdrafts	3.91	4.10	3.52	4.00
Bank loans	3.85	4.47	3.74	4.33
Bonds 2006-2008	6.25	6.25	6.25	6.25
Bonds 2010-2012	6.60	6.60	6.60	6.60
Business Promotion Act - soft loan	2.75	2.50	2.75	2.50
Other loans	4.50	5.10	-	-

Maturity of borrowings falling due after more than one year:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Between 1 and 2 years	678	2,987	545	2,870
Between 2 and 5 years	6,414	2,240	6,214	1,948
Over 5 years	1,387	4,738	826	4,122
	8,479	9,965	7,585	8,940

## - 26. MINORITY INTEREST -

	Group	
	2006 Lm'000	2005 Lm'000
At beginning of year	219	234
Share of net results of Group undertakings	(155)	(15)
<b>At end of year</b>	<b>64</b>	<b>219</b>

## - 27. PROVISION FOR OTHER LIABILITIES AND CHARGES -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Restructuring provision</b>				
At 1 February 2005	-	-	-	-
Charged to the profit and loss account	197	-	197	-
At 31 January 2006	197	-	197	-

The Company has offered early retirement in exchange for a termination benefit to selected employees. This has been communicated to the selected employees together with the amounts payable. The estimated staff restructuring costs to be incurred are Lm197,000 at 31 January 2006 and were fully provided for in 2006 (note 4). It is anticipated that Lm65,000 of the provision will be utilised during the financial year ending 31 January 2007.

## - 28. TRADE AND OTHER CREDITORS -

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Current</b>				
Trade creditors	1,651	1,583	769	642
Other creditors	952	1,051	544	443
Indirect taxes and social security	535	907	300	791
Accruals and deferred income	1,652	1,460	1,246	990
	4,790	5,001	2,859	2,866

Other creditors include capital creditors and advance payments of Lm233,000 (2005: Lm437,000) for the Group and Lm73,000 (2005: LmNil) for the Company. The Group amounts are not subject to an interest rate (2005: 4.5%).

## Notes to the Financial Statements (continued)

**29. CASH GENERATED FROM OPERATIONS**

Reconciliation of operating (loss)/profit to cash generated from operations:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Operating profit from continuing operations	319	1,439	584	1,149
Operating loss from discontinued operations (note 10)	(458)	(105)	-	-
Operating (loss)/profit	(139)	1,334	584	1,149
Adjustments for:				
Depreciation of property, plant and equipment (note 14)	1,837	1,891	1,087	1,342
Impairment of property, plant and equipment (notes 10 and 14)	457	37	-	-
Loss/(profit) on disposal of property, plant and equipment	31	(39)	41	(37)
Impairment of intangible assets (note 13)	55	-	-	-
Amortisation of intangible assets (note 13)	236	210	103	99
Amortisation of bond issue costs (note 25)	9	8	9	8
Provision for termination benefits (note 27)	197	-	197	-
	2,683	3,441	2,021	2,561
Changes in working capital:				
Stocks	516	(430)	500	160
Trade and other debtors	49	(239)	(368)	(655)
Trade and other creditors	(211)	(830)	(7)	42
<b>Cash generated from operations</b>	<b>3,037</b>	<b>1,942</b>	<b>2,146</b>	<b>2,108</b>

**30. 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	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Cash at bank and in hand	226	344	54	45
Bank overdrafts	(3,654)	(4,109)	(1,411)	(1,795)
	(3,428)	(3,765)	(1,357)	(1,750)

**31. BUSINESS ACQUISITIONS**

There were no business acquisitions made by the Group during the financial year ended 31 January 2006. During 2005, the Group acquired a business concern forming part of Law. Quintano & Co. Limited engaged in the importation and distribution of food products in the local market and related property.

**32. CONTINGENT LIABILITIES**

At 31 January 2006, the Group and the Company had contingent liabilities amounting to Lm450,000 (2005: Lm477,000) and Lm139,000 (2005: Lm87,000) respectively, with regards to guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.

At 31 January 2006, guarantees amounting to Lm2,984,000 (2005: Lm2,879,000) were given by the Company with regards to bank facilities of Group undertakings.

**33. RELATED PARTY TRANSACTIONS**

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

	Percentage of shares held	
	2006	2005
Farrugia Investments Limited	26.50	26.50
MSM Investments Limited	26.50	26.50
Sciclunas Estates Limited	26.32	26.32

The remaining 20.68% (2005: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
<b>Income from goods and services</b>				
- Sales of plant and equipment to Group undertaking	-	-	-	752
- Sales of goods to Group undertakings	-	-	1,182	1,475
- Recharge of costs to Group undertakings	-	-	312	289
- Recharge of payroll costs to Group undertakings	-	-	890	204
- Interest receivable on loans to Group undertakings	-	-	168	208
- Interest receivable on loans to Associated undertaking	-	20	-	20
	-	20	2,552	2,948
<b>Expenditure for goods and services</b>				
- Purchases of goods from Group undertakings	-	-	540	713
- Services payable to Group undertakings	-	-	3,487	733
- Recharge of costs from Group undertakings	-	-	-	14
- Rents charged from Group undertakings	-	-	-	42
- Purchases of goods from related parties	199	310	199	310
	199	310	4,226	1,812

Increased payroll recharged and services payable to Group undertakings, in the Company accounts, relate principally to transactions made with a Group undertaking established in 2005 following the transfer of the selling and distribution activities previously conducted within the Company.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 5 to the financial statements.

Amounts due from Group and Associated undertakings, in connection with sales and purchases transactions, are disclosed in note 22 to these financial statements. In the Company's books, long and short-term amounts due from Group and Associated undertakings, in connection with Group financing activities are disclosed within notes 18 and 22 to these financial statements. Impairment losses of Lm52,000 (2005: Lm81,000) have been recognised in 2006 in respect of amounts due from Group undertakings in connection with Group financing activities.

## Notes to the Financial Statements (continued)

**34. 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 and Sterling. 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 (revised 2004).

At 31 January 2006 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	
	2006	2005
	Lm'000	Lm'000
US Dollar (at rates averaging Lm1 = USD2.7719 [2005: USD2.9636])	253	236

The fair values of open contracts at 31 January 2006 which hedge anticipated future foreign currency purchases are not material for disclosure purposes.

**Credit risk**

Financial assets which potentially subject the Group to concentrations of credit risk, consist principally of cash at bank and debtors. The Group's cash is placed with prime financial institutions. Debtors are presented net of impairment charges for bad and doubtful debts. The Group has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. 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 cash flows of the Group are influenced by changes in market interest rates. Notes 25 and 28 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 2006 and 2005 the carrying amounts of cash at bank, debtors, creditors and accrued expenses and short-term borrowings approximated their fair values. The fair values of loans and receivables and long-term borrowings are not materially different from their carrying amounts.

The nominal value less impairment provision of trade debtors and creditors are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**35. COMMITMENTS****Capital commitments**

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

	Group		Company	
	2006	2005	2006	2005
	Lm'000	Lm'000	Lm'000	Lm'000
Contracted but not provided for	403	208	391	160
Authorised but not contracted	11,922	6,842	11,435	6,309
	12,325	7,050	11,826	6,469

The majority of the capital commitments noted as 'authorised but not contracted' relate to the approved investment plan and modernisation programme, that comprises a new Soft Drink Packaging Hall, a Distribution Centre and a new Brewhouse, which is estimated to total Lm14 million and whose development commenced in the financial year ended 31 January 2006.

**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	
	2006	2005	2006	2005
	Lm'000	Lm'000	Lm'000	Lm'000
Not later than 1 year	243	154	28	52
Later than 1 year and not later than 5 years	938	594	-	28
Later than 5 years and not later than 30 years	2,633	2,636	-	-
Later than 30 years	7,534	7,621	-	-
	11,348	11,005	28	80

Non-cancellable operating lease payments disclosed above as 'Later than 30 years' expire within 79 years. This commitment relates to a non-cancellable property operating lease that expires in 2084.

**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	
	2006	2005	2006	2005
	Lm'000	Lm'000	Lm'000	Lm'000
Not later than 1 year	187	214	7	7
Later than 1 year and not later than 5 years	416	787	-	7
Later than 5 years	1,396	2,243	-	-
	1,999	3,244	7	14

**36. STATUTORY INFORMATION**

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

**37. COMPARATIVE INFORMATION**

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

## Shareholder Information

## Directors' interests in the Company

	Ordinary shares held as at 31 January 2006	Ordinary shares held as at 21 April 2006
Bryan A. Gera	71,477	71,477
Vincent Curmi	9,700	9,700
Louis A. Farrugia	19,512	19,512
Marquis Marcus John Scicluna Marshall	5,020	5,020
Marcantonio Stagno d'Alcontres	-	-
Dr. Max Ganado	-	-
Alberto Miceli Farrugia	6,107	6,107

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

Mr. Marcantonio Stagno d'Alcontres has a beneficial interest in MSM Investments Limited. Besides having a beneficial interest in Farrugia Investments Limited, Mr. Louis A. Farrugia has a beneficial interest in a further 36,785 Ordinary shares registered in the name of Farrugia Holdings Limited. Marquis Marcus John Scicluna Marshall has a beneficial interest in Sciclunas Estates Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2006 to 21 April 2006.

## Shareholders holding 5% or more of the equity share capital at 21 April 2006

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

## Shareholding details

As at 21 April 2006, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of 12c5 each	1,752

The holders of the Ordinary shares have equal voting rights.

## Number of shareholders as at 21 April 2006

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of 12c5 each			
Up to 500 shares	536	135,365	0.52
501 - 1,000	325	238,007	0.93
1,001 - 5,000	703	1,633,414	6.35
More than 5,000	188	23,707,500	92.20
	1,752	25,714,286	100.00

## Arthur Muscat

Company Secretary

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## Five Year Summarised Group Results

	2006 Lm'000	2005 Lm'000	2004 Lm'000	2003 Lm'000	2002 Lm'000
<b>Turnover</b>	<b>26,323</b>	<b>26,781</b>	<b>24,725</b>	<b>23,592</b>	<b>22,867</b>
Operating costs	(26,462)	(25,447)	(22,933)	(21,802)	(21,763)
<b>Operating (loss)/profit</b>	<b>(139)</b>	<b>1,334</b>	<b>1,792</b>	<b>1,790</b>	<b>1,104</b>
Changes in fair value of investment property	380	269	125	272	108
Investment income	525	20	28	226	18
Finance costs	(817)	(805)	(808)	(797)	(552)
Share of results of Associated undertakings	(4)	8	-	(123)	(156)
<b>(Loss)/profit before tax</b>	<b>(55)</b>	<b>826</b>	<b>1,137</b>	<b>1,368</b>	<b>522</b>
Tax	265	(217)	1,441	(148)	160
<b>Profit before minority interest</b>	<b>210</b>	<b>609</b>	<b>2,578</b>	<b>1,220</b>	<b>682</b>
Minority interest	155	15	112	(4)	(13)
<b>Profit attributable to Ordinary shareholders</b>	<b>365</b>	<b>624</b>	<b>2,690</b>	<b>1,216</b>	<b>669</b>
Dividends declared on:					
Ordinary shares	604	604	460	400	400
Preference shares	-	-	-	156	180
<b>Total dividends (net)</b>	<b>604</b>	<b>604</b>	<b>460</b>	<b>556</b>	<b>580</b>
Ordinary share capital and reserves	15,533	15,927	15,922	13,800	12,225
Preference shares	-	-	-	-	3,000
Shareholders' funds	15,533	15,927	15,922	13,800	15,225
Borrowings	14,544	14,998	12,642	13,652	11,844
Deferred tax	-	267	167	1,603	1,684
<b>Total capital employed</b>	<b>30,077</b>	<b>31,192</b>	<b>28,731</b>	<b>29,055</b>	<b>28,753</b>
Fixed assets	18,439	21,231	19,715	20,104	20,468
Non-current assets	1,121	1,075	1,189	1,316	1,436
Current assets	13,897	13,994	12,627	12,071	12,232
Assets held for sale	1,661	-	-	-	-
Liabilities (excluding borrowings)	(5,041)	(5,108)	(4,800)	(4,436)	(5,383)
<b>Total assets less current liabilities</b>	<b>30,077</b>	<b>31,192</b>	<b>28,731</b>	<b>29,055</b>	<b>28,753</b>
Shares in issue during the financial year:					
- Ordinary shares	'000 25,714	25,714	25,714	24,413	24,000
- 6% Preference shares of Lm10 each	'000 -	-	-	216	300
Number of Ordinary and Preference shareholders	1,752	1,699	1,708	1,699	4,237
Earnings per Ordinary share	1c4	2c4	10c5	4c3	2c0
Return on average capital employed	percentage 3.0	5.5	7.1	7.5	3.9
Dividend cover	times 0.60	1.03	5.85	2.19	1.15
Dividends per Ordinary share (net of tax)	2c3	2c3	1c8	1c6	1c7
Net asset value per Ordinary share	60c	62c	62c	57c	51c
Gearing	percentage 48.4	48.1	44.0	47.0	51.6

Comparative figures have been changed to conform with this year's presentation of the financial statements.

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.